Canada. Royal commission on publications.

Hearings, v. 26-27, 1961.

1961

5780

ROYAL COMMISSION ON

Publications

HEARINGS

HELD AT

OTTAWA

VOLUME No.:

26

DATE:

JAN 3 1961

OFFICIAL REPORTERS
ANGUS, STONEHOUSE & CO. LTD.
372 BAY STREET
TORONTO
EM. 4-7383 EM. 4-5865

ROYAL COMMISSION ON PUBLICATIONS

Proceedings of hearings held
in the Supreme Court Building
in the City of Ottawa, Ontario,
on the 3rd day of January, 1960,
et seq. at 10.30 a.m.

COMMISSION:

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I N D E X

Vol. 26

E X H I B I T S

--- On resuming at 10:30 a.m.

THE CHAIRMAN: Would you identify yourself for the record, please?

SUBMISSION OF NATIONAL FARMERS UNION

EXHIBIT NO. O-82:

APPEARANCE:

Frederick Von Pilis

MR. PILIS: My name is Frederick Von Pilis, Editor of "The Union Farmer". I am appearing on behalf of the National Farmers Union.

This presentation is made on behalf of the 65,000 farm families affiliated with the National Farmers Union through their direct membership in the provincial farm unions in Ontario, Manitoba, Saskatchewan, Alberta and British Columbia.

As farmers our members are, of course, particularly interested in publications dealing with agriculture. However, many of them also subscribe to a wide variety of magazines of general circulation.

Therefore, we propose to discuss three aspects of publishing in Canada:

a) farm publications;

b) publications of general circulation;

c) principles of communication.

Canadian farmers have always been very critical of the press including the farm press with

the result that they have established a number of publications, owned and operated by farm organizations. This has forced editors of privately owned publications to be on their toes, and give their farm readers better news service, especially in the coverage of farm organizational activities, as well as other reading matter of actual interest.

Today, Canada's farmers are well served by the agricultural press.

Farm Publications: Foremost in the field, dealing with farm publications, of privately owned farm publications are the two weeklies "Free Press Weekly - Prairie Farmer" (Circulation: 390,000) and "Family Herald" (Circulation: 440,000). Both these publications are well received and greatly appreciated by farmers from coast to coast.

It is safe to say that their excellence is largely conditioned by their competitive position to farmer-owned publications; the "Free Press Weekly" has to compete against "The Western Producer" (Circulation: 140,000), published by the Saskatchewan Wheat Pool, while "Family Herald" has as its closest competitor "The Country Guide" (Circulation: 330,000), published in Winnipeg by The Public Press Ltd., which in turn is owned by United Grain Growers Ltd.

Also in the field of privately-owned farm periodicals is "Farmer's Advocate and Canadian Countryman" which recently has incorporated Farmer's

Magazine. The bulk of its circulation of 216,000 is in Ontario and the Maritimes. Its new editor is making valiant efforts to bring some fresh thoughts and ideas into the "Advocate's" somewhat musty pages.

Ontario also has the benefit of "The Rural Co-operator" published by the Ontario Federation of Agriculture. We take this opportunity to congratulate its courageous editor, Corinne Hughson, who is trying hard to keep Ontario farmers informed of what is being done to them.

There is "The Co-operative Consumer", house-organ of Federated Co-operatives Limited, a co-op wholesale founded and controlled by farmer co-operatives, which concentrates its attention on consumer ends. With a circulation of 155,000 in the three Prairie Provinces, the publication could be tuned up into a mighty voice for the producer, whenever Prairie farmers decide to do so.

The Manitoba Wheat Pool publishes a weekly with a circulation of 45,000, "The Manitoba Co-operator", which is doing a creditable job upholding the interests of western farmers.

"The Maritime Co-operator" published by Co-operatives in the Atlantic Provinces at St. Francis Xavier University in Antigonish, N.S., is serving the working people in the Maritimes where a farmer may also have to be a lumberman or fisherman or coalminer to make a living for himself and his family.

This journal deserves a special commendation for its excellent work in interpreting the interests of these different occupational groups to one another. A similar situation exists in British Columbia, where "The B.C. Co-operator" looks after the interests of farmers, fishermen, lumbermen and urban people.

A number of smaller publications are catering to special interests such as cream producers, milk producers, cattle breeders, swine breeders, stock growers, wool growers, fruit and vegetable growers. The scientific end is being upheld by publications of agricultural colleges and the Agricultural Institute of Canada.

Mention should be made of religious publications like "The Canadian Register", "The Prairie Messenger", "The United Church Observer", "Church Farm and Town", "Canadian Churchman", "Our Family", which are concerned with rural life and the migration from the farm to the city, and, either regularly or sporadically, report and comment on the farm situation.

Last, but not least, we have the four monthly publications of the farm unions in Ontario, Manitoba, Saskatchewan and Alberta, which are now considering to publish one national farm union paper.

Summing up, we repeat that farm people have a large number of Canadian farm publications

at their disposal, many of which they own and control themselves. In view of the conflict of interests between Canadian and American farmers, it seems unlikely that any farm publication, tailored to the needs and aspirations of United States farmers, would get very far in dumping its overflow circulation in Canada unless it radically revamped its approach to national and international farm problems such as the disposal of so-called food surpluses, or the use of bracero labour forcing Canadian farmers to compete with the substandard wages paid to migrant farm workers in the U.S.

Publications of General Circulation: The picture changes completely when we look at publications of general circulation which you find in a large number of farm homes. Reading habits of farm families -- just like those of urban people -- are widely diversified and range from the dainty stories in "Chatelaine" to the news interpretations of "Time".

What bewilders farmers is the attitude of many publications to the affairs of farmers which generally grades anywhere from haughty indifference to utter contempt.

Although not quite as supercilious in their approach to farm problems as the daily press in eastern Canada (we specifically except the daily press in the West which is still very much aware of the facts of life in agriculture), editors of Canadian periodicals either ignore agriculture

altogether or give it a rather vaporous treatment, misinformed and misinforming.

In the rarefied atmosphere of their editorial offices, far removed from the reality of everyday life, they have made an abstraction of agriculture which they discuss in percentages of the Gross National Product illustrated with tables supplied by the Dominion Bureau of Statistics.

They have lost the human touch (which, incidentally, makes for good and readable writing) and have forgotten that agriculture is also a man driving his combine in the dust and heat of the Saskatchewan Prairie to bring in the harvest before the first frost hits it, and his wife or young son behind the steering wheel of the heavy truck to take the grain from the field to the elevator or granary; that it is a farm woman in Ontario or Nova Scotia getting up at dawn to gather a basketfull of eggs and help with the chores in the barn before cooking breakfast and dispatching the kids to school; or that it is a boy grooming his own calf, or a girl trying mother's recipe for angel cake for the great show on 4-H Club Achievement Day. For some editors this is a "peasantry" that should be removed from the land and turned over to the welfare people in the city; their farms to be taken over by "big business" and operated like factories.

They know that the white stuff they add to

their morning coffee comes evaporated or condensed or spray-dried in glass bottles or paper cartons or cardboard boxes, but they have forgotten that the raw material from which it is made must be drawn from the contraption nature hung between the hindlegs of the animal that has been called the "mother of the nation." And they do not understand that this work must be done by a human person, and that this person must win the sympathy of the animal lest it "hold up" its milk which, of course, would not be an "efficient" way of operating.

The editors of the periodical -- and daily -- press in eastern Canada talk much about "efficiency" without ever defining the term. Do they mean yield per acre? Or return on invested capital? Or efficiency in soil conservation? Or would they perhaps concede that there may be such a thing as social efficiency which means a good and happy life?

You may ask what all this has to do with the survival of Canadian periodical publications against the competition of American magazines. We submit that it has a lot to do with it.

It is being claimed that Canadian publications are not getting their "fair share" of Canadian advertising, that they are being underbid by Canadian editions of American publications whose milline rates are lower than those of Canadian

publications. It is being argued that the Americans can offer these lower rates because their production costs are lower, since they use their American editorial material and in some cases merely do some re-plating.

But, it is not correct that milline rates are determined primarily by the size of circulation? Do advertisers, in choosing their media, not also consider density of circulation and audience sympathy?

Why, then, is it that Canadian publications, which had a long headstart before American publications entered the Canadian market, did not build up bigger circulations? Why were American publications able to outsell Canadian publications within a very short time? And why are Canadian week-end newspapers still outselling American magazines?

Circulation is built by efficient selling of a quality product. We suggest that at least part of the reason may well be in the inefficiency of circulation promotion by Canadian periodicals, but we submit that the main reason is readability which -- with all due respect to our friends in some of the editorial ivory towers -- could be imporved and, of course, is being continually improved.

Before offering our conclusions we would like to discuss certain principles of communications.

General Principles of Communications:

Man is a social being. He cannot find his happiness and fulfillment except through communication with his fellowmen. Communication is a two-way street of giving and receiving. Its antithesis is exploitation, i.e. taking out without putting in, or the utilizing of a person for one's own end. In publishing, pornography is an example of exploitation. Advertising for the sake of making sales beyond the needs or means of the purchaser is another.

Men communicate with one another on three distinct levels. First, there is communications in material goods and services, including transport, all of which may be termed commerce.

Secondly, there is communication in things of benefit to the mind which we inherit from our ancestors and leave to posterity. These are the accumulated wisdom of our fathers and forefathers to which we add our little share before we pass it on to our children. The method of communication by which we do it is education.

Thirdly, we have communication in the knowledge of what is happening in the present, of things that are "new" to us. The communication of the news we term information.

Publications operate on all three levels of communications. As long as editors can keep a

reasonable balance between Commerce, Education and Information, the content of their publications will be acceptable to the majority of readers.

Unfortunately there is a tendency among editors to gravitate toward Commerce and subordinate Education and information to it. In this they merely follow the common trend to assume that man is fundamentally an economically oriented organism, dominated by his appetites, measuring his well-being in terms of his standard of living and spending his energy in an effort to acquire masses of material symbols of his wisdom and strength. This "myth of economic man" is not only rampant in our culture, it is, in our opinion, virtually unchallenged in the contemporary press. The assumption that man, that is the individual, is fundamentally an economic being is basic to the trends current in the North-American press. The movement to centralize, the trend to bigness -- in agriculture as well as industry -- is justified and is justifiable primarily, if not solely, in terms of economic efficiency.

It should be pointed out, however, that psychologists in all fields are agreed that "motivation in man, unlike animals, is anything but an expression of instinctive appetites." They tell us that "economic incentives are notoriously ineffective in stimulating behaviour unless the economic returns have a distinct symbolic value in the individual's

social environment."

Man begins life as a biologically dominated being. The process of maturation, and of learning, steadily transforms the individual into a social being; a being with values, ideals, aspirations and beliefs which make possible his interdependent life, his social life. It is the development of these characteristics which makes it possible for man to function as a member of society.

It has been said that "the less mature the individual, the more his actions are motivated by economic considerations. Conversely, the more mature the individual the less he is motivated by economic factors, and the more he is dominated by psychological and social factors." If this statement is valid, we submit that the press -- periodical and daily -- is not helping us to mature.

If the further statement that "the less mature the individual, the less his capacity for group activity," is also valid, we suggest that the press -- periodical and daily -- at times is outright asocial.

We do not blame the press for originating these ideas. It hasn't. We do blame it, however, for all too easily succumbing to the new barbarism of the moden "barbarian who may wear a Brooks Brothers suit and carry a ball-point pen with which to write his advertising copy," as he is

described by John Courtney Murray in his book "We Hold These Truths" which should be required reading for every editor before he is permitted to hold office.

This is perennially the work of the barbarian, says Murray, to "undermine rational standards of judgment, to corrupt the inherited intuitive wisdom by which the people have always lived, and to do this not by spreading new beliefs but by creating a climate of doubt and bewilderment in which clarity about the larger aims of life is dimmed and the self-confidence of the people is destroyed."

If this was true of any time in history, it is true of ours. The inherited intuitive wisdom of the people is being corrupted, a climate of doubt and bewilderment has been created dimming the sight of the larger aims of life, and the self-confidence of our people is being destroyed. The press, periodical and daily, cannot be excused from its share of responsibility for propagating the "philosophy to put an end to all philosophy."

The process of indoctrination with the Cult of Commerce begins in school where the minds of our children are being conditioned to it with the use of commercial advertising as a teaching aid. Publications such as "The ABC's of Industry" are widely distributed without charge to our schools where they

are used to teach our children the beauty of English poetry through such effusions as: "C stands for Oranch Crush - Taste it and see - why keen teens are saying - 'Orange Crush for me!'" or, another example, "B is for Banking - Important indeed - The Bank of Nova Scotia - Can help you succeed."

We were somewhat amazed to find these booklets not only in public schools devoted to the training of children to get ahead in this world, but also in separate schools dedicated to help us find our way into the hereafter. We somehow expected that there at least the letter L would be used to spell the word "Love". Not so. "L" is "to learn about the Competition."

Saskatchewan farm women, assembled in "Farm Women's Week" at the University of Saskatchewan last June, have condemned the use of these teaching aids and asked that they be removed from the schools. A similar resolution was carried at the 1960 annual convention of the Saskatchewan Farmers Union.

At this point we want to state -- at the risk of being accused of "anti-Americanism" -- that we consider it eminently desirable for Canada to preserve its national and cultural identity as distinctly as possible from that of the United States. We say this without malice to the American people whom we admire and respect for their human qualities. This does not mean, however, that what

is good for America, is necessarily good for Canada. We do not feel it is necessary to expound the argument, but refer you to the article by Hugh MacLennan "It's the U.S. or us" in MacLean's of November 5, 1960 which states the case for Canada in the author's usual brilliant manner.

What needs to be pointed out is the lack of knowledge and understanding of Canadian affairs exhibited by Americas time and time again. A good example is Richard H. Rovere's "An American's Last Word" (Why do they always have to have the last word?) in the same issue of MacLean's. Rovere says that "Canada and the United States are extraordinarily similar in economic and political structure, social organization, and culture." This seems to him "clear beyond any reasonable dispute."

Nothing could be farther from the truth. Canada's economic structure is different because it is foreign-dominated; the Americas own and control theirs. In the political structure, there is little similarity between the Canadian Parliament and the U.S. Congress, the position of the Prime Minister of Canada and the President of the U.S. There may be some similarity in social organization; both countries are dominated by a "Power Elite". But our cultures, again, are quite different. We still draw our strength from oatmeal porridge and "Habitant" pea soup; they have to bolster theirs with

Brex, Wheaties and Vitacaps.

We want to preserve as much as possible of our Canadian identity because we see two dangers emanating from the United States. The first is the misconception of the nature of man as being one-dimensional, economically oriented. This theory denies the spiritual nature of man, holds that his life is determined solely by economic developments, and claims that his main purpose in life is producing and consuming. (We note that with increasing automation the emphasis is shifting from production to consumption.) This heresy -- this hypostasy -- is at the core of the philosophy of Karl Marx.

The second danger is closely connected with the first, and is the trend toward grinding down men into one sameness for the sake of technological advance and efficiency, and to eliminate all regional and individual differences between men. There are those who say this does not matter. We firmly believe it does matter and take leave to quote another American writer, William Lynch, who says in his book "The Image Industries" first published in Great Britain in 1960 by Sheed & Ward: "If you have opted for a vague cultural sameness called Americanism, you have voted either for an abstraction that can never exist or for a cheap creation that never ought to exist."

The American author continues: "We

might do worse than study the ardor and the intelligence of the Canadian people in their insistence on remaining themselves and might then apply the lesson to our own limping regional selves. In defence of their own identity and to forestall its possible evaporation they made an important decision, involving great financial sacrifice, which we owe it to ourselves to ponder well. It had become clear to many of the thoughtful citizens of our brother country that, if radio and TV media were allowed to develop in the hands of private enterprise, it almost certainly meant the slow Americanization of all their images and their whole style of life. They made the difficult decision because they thought the issue was of first importance." The writer then quotes at length from the report of the Royal Commission on Broadcasting, March 15, 1957. As Canadians we heartily endorse the opinions of our American neighbour and consider ourselves fortunate to be in the possession of such excellent media of communication as the Canadian Broadcasting Corporation and the National Film Board.

By all this we do not mean to imply that the free flow of ideas between our two countries should be obstructed by putting obstacles in the way of American publications. We favour rather the support of Canadian publications through certain privileges and their encouragement to help themselves

by improving the quality of their editorial content and by streamlining their distribution system.

Conclusions: We recommend that no special taxes or tariffs be put on American publications or their Canadian editions.

Canadians are now subsidizing the press -- foreign and domestic -- to the tune of approximately $21,000,000 a year, roughly the same amount they spend on chewing gum, in the form of mailing privileges. We are not aware of any editor or publisher who has rejected this subsidy as a threat to the freedom of the press. Surely Canadians can afford to pay more for their cultural freedom than they expend on masticatory pleasure. We recommend that publications owned, controlled and produced in Canada, be granted still lower mailing rates provided, say, that at least 80 per cent of their editorial material is written by Canadians, and that their advertising content is limited to amounts which would have to be specified. We further recommend that new publications which qualify under these specifications be mailed free for the first three years after their inception.

The present newsstand distribution system is said to be in the hands of two American companies which, it is alleged, "control the newsstands by dictating to the Canadian wholesalers the positions of publications on dealers' racks, how often checks

are to be made, and by indicating what magazines should be offered in what locations ...." We recommend that the present newsstand distribution system be investigated in the light of Canadian anti-combines legislation, and if found to be in conflict with the law, that it be broken up.

We recommend that the use of commercial advertising as a teaching aid be abandoned by our schools, and we urge Canadian editors to restrain themselves in the propagation of the Marxian philosophy of Economic Determinism.

We entreat Canadian editors to safeguard the freedom of the press by keeping open their pages to opinions differing from their own. We have in mind recent experiences with Canadian periodicals which either refused to publish comments on some of their promulgations because it just wasn't their policy to do so, or simply ignored queries on untrue statements.

We recommend that Canadian editors intensify their search for new writing talent, and we suggest that they encourage young writers by giving them time off for new ventures with the help of grants available from Canada Council.

We recommend that the press support an independent agency to do research work in the field of communications. Such an agency may also assist the press with objective advice in the solution of

some of its problems. In this connection we draw your attention to the recently established Canadian Institute of Communications which has its head office in Ottawa.

In view of some of the statements of ideals made by Canadian editors and publishers before your Commission, we feel confident that Canada will find ways and means to maintain publications of a distinct Canadian identity.

All of which is respectfully submitted on behalf of the National Farmers Union,

COMMISSIONER JOHNSTON: Would you tell us something about the National Farmers Union?

MR. VON PILIS: The National Farmers Union, Mr. Johnston, is a group of provincial farm unions at the present time in the five western provinces -- Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. Its members pay a direct membership. They are not members by being members of another organization; but they have to come in and take out a membership and pay in cash.

COMMISSIONER JOHNSTON: Then, it is a rival organization of The Wheat Pool?

MR. VON PILIS: It is not a rival organization, Mr. Johnston; it is a parent organization of The Wheat Pool, because the Farmers Union is a direct descendent of the Territorial Grain Growers Association which was formed in 1901. It succeeded

the Grain Growers Association, which started the pool, which started the harvester companies, the wholesalers and co-operative stores. Its history is clear for 60 years -- the Farmers Union.

COMMISSIONER JOHNSTON: Now, how did you go about preparing this interesting brief?

MR. VON PILIS: It is my brief.

COMMISSIONER JOHNSTON: All right.

MR. VON PILIS: It was discussed in general terms with the joint board of the directors of the National Farm Union, who happened to meet a few weeks ago in Saskatchewan; and I outlined ideas. They approved of it, and it was further approved by the president, vice-president and secretary-treasurer of the National Farmers Union.

COMMISSIONER JOHNSTON: What is the total membership of your National Farmers Union?

MR. VON PILIS: The total membership is approximately 65,000 farming families, which means approximately 200,000 farming people, in the five western provinces.

COMMISSIONER JOHNSTON: There could be quite a number of those 65,000 families who are members who would not agree with some of the statements you have made?

MR. VON PILIS: That could be.

COMMISSIONER JOHNSTON: The point I am trying to make is that this brief, like a number of

others, is the work of a few people?

MR. VON PILIS: Yes; but, of course -- and I may be biased in this -- it represents, I think, the thinking of farm people in regard to publications, particularly as to advertising.

COMMISSIONER JOHNSTON: Aren't you taking in a lot of territory?

MR. VON PILIS: Yes, I do; it is a large country.

COMMISSIONER JOHNSTON: Well, I suggest that a lot of people who buy other publications would not completely agree with you on some of your statements?

MR. VON PILIS: I wouldn't doubt that.

COMMISSIONER JOHNSTON: And a lot of those people may be your members. You are speaking for them without their direct authority?

MR. VON PILIS: Well, Mr. Johnston, it is very difficult to present a thing like this to 65,000 families to peruse it. They have their elected representatives and certainly we base our representations made at Royal Commissions, or to Governments, on the policies of these unions, which are laid down in resolutions, discussion and so on at conventions. But, let me say, probably this is largely my own ideas and those of my board.

COMMISSIONER JOHNSTON: Then, it is really

your brief plus the comments ...

MR. VON PILIS: Based on general farming.

COMMISSIONER JOHNSTON: That is the point I wanted to make.

Don't you think you are a little hard on the editors of other types of publications?

MR. VON PILIS: I have found one thing, Mr. Johnston, that editors -- and I have been one of those for a few years of my life, both here and overseas -- are pretty good at dishing it out, but they are pretty tender in their chins when it comes to "taking it."

The perfect example of these two points I mentioned at the end here, in which we express concern about the freedom of the press -- we are not concerned, you know, that the freedom of the press is endangered by putting a tax on Canadian editions, or tariffs. What we are concerned about is, as on page 14 point 57; what we are concerned about is that editors and owners -- particularly editors -- look on their papers as their own, with which they can do what they like; and there is a threat to the freedom of the press not only by misrepresentation, not only by commission, but also by omission.

The typical case -- I shouldn't say "typical" case because that would be unfair to all Canadian press and editors -- but the case we had in mind here was one of these silly editorials that

from time to time appears, and in this case I am speaking about the Financial Post taking after the farmers and subsidies and all this. They wrote, after their weekly "Te dollarum laudamus," an editorial on agriculture and giving the Government the "razz" for simply instituting programs whereby they "perpetuated the plebeianty" and were wasting money. We sat down and pointed out that in all fairness the editor should take into consideration that industry is subsidized that newspapers are subsidized, and so on; and we got a letter back in which they said they didn't understand it. We wrote another one, and there was a brief reply to this letter: "We do not carry a column of 'Letters to the Editor.'" It was signed . "The Financial Post."

In the other case we have in mind it is another periodical, Saturday Night, which, incidentally, let me say, has come a long way back to its former standards of B. K. Sandwell. This is an example of what gets our "goat" in this country: "In the United States and in Canada we are committed to paying subsidies constantly to farmers to restrict production of wheat." We sent them a wire: "Greatly intrigued by your comment of the day October 29 that Canada committed to pay subsidies constantly to farmers to restrict production of wheat. This is news of vital interest to Western grain growers. Kindly advise who pays and where to apply. Urgent."

One of the troubles is that editors haven't got enough sense of humour.

COMMISSIONER JOHNSTON: They take themselves too seriously?

MR. VON PILIS: Yes.

COMMISSIONER JOHNSTON: Like the advertising people?

MR. VON PILIS: He didn't publish it in his letter box; and I am sorry, because this editor, I think, is a very liberal-minded man.

COMMISSIONER JOHNSTON: Well, I don't know that this Commission can deal with the editorial policies of various newspapers and publications. If they don't publish what their readers want, then they will cease to have readers.

MR. VON PILIS: Yes, agreed.

COMMISSIONER JOHNSTON: And I think it is a fine thing that you should telegraph Saturday Night or write the Financial Post and give them the devil.

MR. VON PILIS: Yes, we do; even the Ottawa Journal.

COMMISSIONER JOHNSTON: That is a way to discourage their editorial freedom.

MR. VON PILIS: There is one point in here which, I think, didn't get, perhaps, enough time in writing it, and this is the education of our young journalists, which would go a long way towards

improving the standards of our press. We touch on it in point 58 where "We recommend that Canadian editors intensify their search for new writing talent, and we suggest that they encourage young writers by giving them time off for new ventures with the help of grants available from Canada Council." There is a lot of new writing talent around. I know myself of half a dozen young writers out in the West. We suggest that we should encourage writers by giving them time off for new ventures with the help of grants available from the Canada Council. We know that grants have been made in the past, but they are not taken up to the extent that they could be because newspapers are reluctant to give their people sabbatical leave.

Maybe we should have more intensified education for newspapers. What our young reporters lack is an education in the humanities. They are expected to cover physicists' meetings and they are expected to cover farmers' meetings. They are expected to cover everything. They don't know what is all behind it. They haven't got the perspective; and this is what we need.

But, basically, we of the Farmers Union, like farmers always, believe in freedom; we have always believed in free trade. We do not want to see obstacles put in the way of American publications as much as we may dislike them.

COMMISSIONER JOHNSTON: Well, I could have an interesting couple of hours with you, but it seems to me the Chairman is going to step on me in a moment and say that this is entirely outside our terms of reference.

MR. VON PILIS: I would like to file a copy of this educational ABC which is the gift of our American neighbours to help us to improve our culture. What gets me in this thing is that we wouldn't be permitted to teach our children at school the love of God but what our neighbour teaches -- the love of General Motors.

I also would like to file three copies of the Union Farmer, and I would direct your attention to the editorial pages.

---EXHIBIT NO. O-83: Copy of magazine.

---EXHIBIT NO. O-84: Three copies Union Farmer.

COMMISSIONER JOHNSTON: I don't think our American neighbours should be accused of something they are not guilty of. This did not originate in the United States.

MR. VON PILIS: This is now the Canadian edition of an American publication.

COMMISSIONER JOHNSTON: I beg to differ.

MR. VON PILIS: It isn't?

COMMISSIONER JOHNSTON: That is my understanding; and I have watched this thing with some

interest for several years.

MR. VON PILIS: That could be. I do know that the man who puts it out is an American.

COMMISSIONER JOHNSTON: It doesn't come from the United States.

MR. VON PILIS: No; it is produced and manufactured in Canada.

COMMISSIONER JOHNSTON: But the first edition was in Canada, so far as this hemisphere is concerned.

MR. VON PILIS: Well, I don't think so. I think they say here that it started out in the United States.

COMMISSIONER JOHNSTON: I don't think we need pursue this any further.

MR. VON PILIS: Here is the background -- a bit of philosophy to our young journalists.

COMMISSIONER JOHNSTON: That is all I have to ask.

THE CHAIRMAN: I have no questions, Mr. Von Pilis.

I must say I was a bit hurt, having been brought up on a farm myself, to note what you said about Canadian editors and their attitude towards farmers. I was brought up on a very small farm and I think we don't mind being called peasants. It is quite true that no Government looked after us; nobody gave us a floor price and nobody fixed the

price of our butter; but we looked after ourselves.

In recent years -- in later years -- we carried on in the Ottawa Journal -- a paper which, I am sure, you have heard of -- the Ottawa Farm Journal. We made a special study of agriculture, and, without consulting the farmers in the Ottawa Valley and the leading agriculturists of Ontario, I think they would tell you that at least the editors of the Ottawa Journal did have a considerable interest in farmers.

I was delighted to hear you read Father John Courtney Murray, who is an old, old teacher of mine; frankly, I don't want to say really what came into my mind a while ago, because there is too much violence in the world already; but I suggest that the only difference between you and Father John Courtenay Murray is that eh wouldn't have argued so much from the particular to the general and he certainly would have been a lot more charitable to his fellow Americans and Canadians.

MR. VON PILIS: He is probably closer to God than I am.

THE CHAIRMAN: I think so -- and I.

Thank you for an interesting submission.

SUPPLEMENTARY SUBMISSION
of
PERIODICAL PRESS ASSOCIATION

APPEARANCE:

Mr. C. J. Laurin

---EXHIBIT NO. O-85: Supplementary submission of the Periodical Press Association.

THE CHAIRMAN: Will you identify yourself, please?

MR. LAURIN: My name is C. J. Laurin, President, Periodical Press Association. May I proceed, sir?

THE CHAIRMAN: Yes, go ahead.

MR. LAURIN: Mr. Chairman, in the question period following our original submission, it was apparent that the effect of week-end publications and TV on the advertising revenues of Canadian magazines was of interest to the Commissioners.

We have since had three charts prepared to illustrate some relationships between these media. They are:

(a) Comparison of magazine advertising revenue to Gross National Product (Appendix A).

This is included as Appendix A, but I will submit a larger chart as an Exhibit today which will make it easier for you to follow, sir.

(b) Comparison of television advertising revenue with magazine advertising

revenue (Appendix B).

I will submit that, sir.

(c) Comparison of week-end media advertising revenue with magazine advertising revenue (Appendix C).

I will comment on that separately, if I may, sir.

---EXHIBIT NO. O-86: Chart, Appendix A.

---EXHIBIT NO. O-87: Chart, Appendix B.

---EXHIBIT NO. O-88: Chart, Appendix C.

Note: All magazine figures include Time and Reader's Digest.

The chart in Appendix A shows that magazine advertising revenue (including Reader's Digest and Time) was growing at about the same rate as Gross National Product until the advent of television. Then, even with competition from an entirely new medium whose advertising revenue is now in the neighbourhood of $90 million, magazine advertising revenue gained faster than Gross National Product, which we believe supports the contention that the growth of magazine advertising revenue in Canada was not very seriously affected by television. We know it was affected, but the advent of television into the market developed some major new capital in the advertising field, and we think that this chart indicates that magazines are

not normally as badly affected by the advent of television as it would look, without going into the steps.

Appendix B indicates that in spite of the rapid growth of television, advertising expenditures in magazines continued to show a consistent growth pattern after television developed. There was little change in the gradual rise in magazine advertising revenue.

Appendix C indicates that, although the development of Weekend Magazine with its rapid circulation and advertising rate growth, caused the total advertising revenue of week-end media to rise rapidly, nevertheless the magazine advertising revenue growth pattern remained relatively unchanged. I think you will see, sir, from the chart, that the magazine and week-end revenue growth is almost parallel.

Periodical Press Association recognizes that week-end media and TV are very strong competitors for the Canadian advertising dollar, and in particular, the magazine dollar. However, we feel the kind of competition they have offered has been fair. It is the kind of competition Canadian periodicals must be prepared to stand up to.

However, the unfair competition of "Canada editions" when added to the already heavy competition from overflow advertising, has had a

serious effect on the growth pattern of Canadian magazines. I would like to submit Appendix D as an exhibit, sir, which is a comparison of Canadian magazines with Time and Reader's Digest, to indicate what has happened to the Canadian portion of the advertising dollar in Canada.

---EXHIBIT NO. O-89: Chart, Appendix D.

While magazine advertising revenue as a whole has grown faster than GNP, this chart indicates that Canadian magazine advertising revenue has not kept pace with GNP because of the rapidly rising percentage of magazine advertising dollars going into Time and Reader's Digest.

This chart, I think, indicates the basis of our problem.

At another stage of the questioning related to our original submission, the Commissioners expressed concern at what they considered the low subscription rates offered by Canadian magazines. We will re-examine this situation briefly and put some pertinent information on the record.

Canadian magazine publishers would much prefer to be able to establish circulation rates that would always cover their circulation sales costs and, if possible, the whole cost of fulfilment as well. In the United Kingdom this situation exists as a matter of course.

This is not the case in either Canada or the United States, and cut-rate subscriptions are accepted for audit by the Audit Bureau of Circulations if the subscription offer is not less than half the established basic annual subscription price.

If Canadian magazine prices were higher than their U.S. counterparts, they would suffer severe losses of circulation to competing U.S. magazines, which because of their larger volume of advertising have a generally thicker make-up and appear to represent better value. In order to attract the substantial advertising revenues required to meet a national magazine's publishing costs, the publisher must provide an important audience for his advertisers. Hence he must price his product at a level that will produce the volume of circulation required.

It should be borne in mind, too, that magazines compete with other Canadian media for advertising dollars and a good share of the other media are channeled to the consumer free of charge. Radio and television are examples; so are week-end supplements distributed with some daily newspapers.

Canadian magazine publishers try to price their products to compete with their American counterparts, and at the same time be still attractive enough to the Canadian public to compete with other

media. The cover price of Maclean's, for example, is 15 cents and its basic subscription price of 11.4 cents per copy is competitive with other magazines, as the table below shows:

	Newsstand price	Subs. price per copy
Saturday Evening Post	.15 per c.	11.5 cents
Life	.19 per c.	11.4 cents
Look	.20 per c.	15.4 cents
Time	.20 per c.	11.4 cents
Maclean's	.15 per c.	11.4 cents
Liberty	.10 per c.	8.3 cents
Saturday Night	.20 per c.	15.4 cents

Again, if we consider the cover price of a magazine in terms of the number of pages of editorial content presented to the reader, Canadian magazines are generally in line with their foreign competitors. The following tables show the number of editorial pages in a Spring and a Fall issue of seven different magazines and the cost per page represented in the cover price.

APRIL, 1960

Title	Editorial Pages	Cover Price	Price Per Editorial page
Chatelaine	77	.15	.194 cents
Canadian Homes	65.5	.25	.381 cents
Maclean's (April 9)	35.5	.15	.425 cents
McCall's	117	.35	.299 cents
Saturday Eve.Post (April 9)	72.25	.15	.207 cents
Life (May 30)	57.75	.19	.329 cents
Look (April 8)	53.5	.20	.373 cents
Saturday Night (April 30)	26.75	.20	.748 cents
Liberty	46	.10	.217 cents

NOVEMBER, 1960

Chatelaine	66.75	.15	.224 cents
Canadian Homes	42	.25	.595 cents
Maclean's (Nov. 19)	44	.15	.340 cents
McCall's	116.5	.35	.228 cents
Saturday Eve. Post (Nov. 19)	75.75	.15	.196 cents
Life (Nov. 7)	59.5	.19	.319 cents
Look (Nov. 8)	64	.20	.312 cents
Saturday Night	30.75	.20	.650 cents
Liberty	37.75	.10	.265 cents

The leading mass circulation American magazines have been engaged in a battle for circulation since the end of the Second World War. Currently it is more intense than ever. McCall's, and Ladies' Home Journal are waging a full-scale war, each seeking to establish leadership in the women's field. Saturday Evening Post, Life and Look are similarly fighting for supremacy in the general or family field.

An indication of the intensity of these battles may be found in the expensive promotion measures some of these magazines are adopting.

Here are three examples, reported in Printers' Ink for November 25, 1960:

> Life is planning a $500,000 TV special for its 25th anniversary in March, 1961.
>
> Look spent equivalent sums on TV during the two presidential conventions last summer and in sponsoring election night coverage in November.
>
> Reader's Digest opened a million-dollar campaign in the U.S. last month, mostly through spot television, aimed at building single copy sales.

The effects of these promotion activities spill over into Canada. The field sales operations and direct mail solicitations that are usually part of an integrated circulation campaign are felt even more sharply in Canada. Thus Canadians are more and more exposed to U.S. magazine "special" offers, intensive field sales work and aggressive newsstand promotion. In the face of this competition, Canadian publishers must adopt similar techniques.

If effective steps were taken to reduce the Canadian portion of the circulation pressure exerted by U.S. publishers, Canadian magazine publishers could gradually return to a normal pricing pattern.

Incidentally, there may be an improper

connotation in the last paragraph which I read; I don't wish to imply that the U.S. is making a special direct circulation effort, it is its normal marketing.

A point which was not brought out clearly in our original submission was the fact that "Canada editions" of American publications gain not only the cost benefits of editorial purchased by the parent edition, but other direct cost advantages as well.

One such cost benefit relates to obtaining subscriptions by direct mail. Most publishers depend to a large extent on direct mail as a source of new and renewal subscription orders. Before embarking on a large mailing for new orders, publishers test mail several pieces to ascertain which piece of direct mail is best in terms of dollar return and number of orders.

The cost of such testing programmes is very high. The Canadian creative cost, including basic production cost, is as high for each test mailing of say 20,000 to 30,000 pieces, as it would be for a complete mailing of, say 2,000,000. Because both Reader's Digest and Time in Canada have available to them the creative work and the results of the testing programs carried out by their parent companies in the United States, they can avoid, or at least substantially reduce, the cost of such test mailings.

Furthermore, because of the number of names available in the United States, their parent publications can test to a much greater depth than can Canadian publishers in this country. A testing programme as large as that which a U.S. publisher might carry out in his domestic market, would not only be prohibitively expensive for a Canadian magazine but would exhaust so many names from the Canadian potential that there would be few left for the main mailing. And, of course, U.S. mailing pieces for both tests and mass mailings can be much more elaborate than Canadian, because the creative and production costs can be spread over very much larger mailings.

Thus both Reader's Digest and Time have the advantage, over Canadian publications, of being able to gain information through larger and more thorough testing programs and to use more elaborate mailing pieces at a lower cost.

Another advantage stems from the fact that the whole of the advertising and advertising promotion sales experience developed by the parent publications in the United States, is made available to the sales staffs of "Canada editions". I feel, sir, this is something that should be done in the interests of good business. I am not criticizing; just drawing it to your attention.

There is no accurate way of determining

this cost, but the ability to draw on such a wealth of experience where large sums of money can be spent on the development of new sales techniques, new advertising sales presentations, etc., is indeed a strong competitive advantage.

Moreover "Canada editions" benefit from the parent publications' large advertising sales staffs in U.S., Europe and even in Asia. These sales organizations are able to sell space for their Canadian editions as well as domestic editions right at the source of such advertising. We know of no Canadian publisher who can afford such a wide-spread sales organization.

Again, we do not know what detailed editorial research is done on the parent product in the United States, but undoubtedly the full measure of such editorial experience is reflected in the "Canada edition", as the editorial product is changed only slightly for Canada.

Finally, during the hearings across Canada, various suggestions for a definition of a Canadian periodical, or the Canadian content of a periodical, have developed during questioning. It might be of some help to the Commission if we record our thoughts on this matter.

It would appear to us that the need is not so much for a definition of a Canadian periodical as a definition of what conditions should be met

by a foreign publication before it could be deemed to be Canadian in respect to any regulations which the Commission might recommend.

Approaching it from this point of view, it is suggested that periodicals which depend on the re-use of foreign editorial content for the basic content of a "Canada edition" be deemed to be Canadian only when they are printed and published in Canada, edited in Canada, and contain to the extent of 75 per cent or more, by space, articles or other editorial material originated specifically for Canadian readers, and not appearing in editions published in other countries.

The 75 per cent figure above is, in our opinion, an absolute minimum requirement if it is to achieve what we believe to be the desired cultural and economic effect. That is, if it is to neutralize, or at least materially lessen, the cost advantage vis-a-vis Canadian periodicals enjoyed by "Canada editions" printed in Canada, and encourage them to become Canadian in fact.

In the case of most periodicals, the main editorial section or editorial "island" represents an expenditure of about 65 per cent to 80 per cent of the total editorial expenditure on that particular issue. If this main editorial material could be imported, under a regulation allowing less than 75 per cent Canadian content, a Canadian

publication competing directly with the Canadian edition importing such content, would be at a very serious disadvantage.

To illustrate the need for a 75 per cent requirement rather than say a 55 per cent Canadian content such as might be patterned after the regulations laid down by the Board of Broadcast Governors for television, the example of November 1960 McCall's magazine can be cited.

May I submit this as an exhibit, sir?

---EXHIBIT NO. O-90: Copy of McCall's magazine.

McCall's November 1960 issue has 120 pages of editorial content. If it were to produce a "Canadian" edition based on 55 per cent Canadian content, it could import 45 per cent of this, or 54 pages. (This is assuming that the Canadian edition would be the same size as the U.S. edition).

The editorial "island" of November McCall's is 66 pages of which 47 pages are complete in themselves with no turnover to the back of the book required. Of these 47 pages, 43 are in four colours.

The cost of producing these 43 pages, for illustrations and engravings only, in Canada for a

Canadian magazine, would be in excess of $100,000. This is over double the editorial budget which could be established for an entire issue for an equivalent Canadian magazine.

Such a percentage would result, therefore, in the expensive production, article and fiction items, being imported. The remaining 55 per cent, specified as Canadian content, could then be made up of much lower cost material.

If only 25 per cent of the parent editorial content could be re-used in Canada, it would, in the case of November McCall's result in 30 four-colour pages being available to a directly comparable Canadian edition. This would still represent a very heavy cost advantage over an equivalent Canadian magazine, and we believe it apparent that this 25 per cent must be considered the maximum practical foreign content.

Also, we believe that in the case of TV, where the BBG established a 55 per cent Canadian content, the remaining content still has to be purchased from the foreign originators. In magazines developing Canadian editions, this is not the case. The imported content is for all practical purposes free to the Canadian edition, and affords a tremendous financial advantage to the importer.

THE CHAIRMAN: Thank you very much. Mr. Johnston?

Perhaps we should recess now and come back. We will recess now for five or 10 minutes and then you can return, Mr. Laurin.

---A short recess.

D-1 COMMISSIONER JOHNSTON: I don't find your brief as interesting as the older one, the previous one.

Could you tell me what publications are your members and what are not? There are two or three who made briefs.

MR. LAURIN: Well, as I mentioned in my previous brief, I think, or in the question period after it, one of the conditions of membership of the Periodical Press is audited circulation. C.C.P. is also acceptable. Also at the present time full Canadian ownership is required for member publications. To give you a breakdown of all the publications in Canada which do not belong which meet those requirements is perfectly feasible, and we would be glad to have it filed for you. But if these publications wished to belong to the Periodical Press and they meet these conditions laid down by its constitution I am sure they would be acceptable as members.

COMMISSIONER JOHNSTON: What bothers me is the apparent fact that the Maclean-Hunter publishing company dominates the Periodical Press Association.

MR. LAURIN: I don't think that is particularly true. I have worked with the Periodical Press Association, and other members of my company -- I am speaking now of Maclean-Hunter -- for a great many years, and obviously we have held positions in the association. I have been a member of C.P.A. for a number of years and I have held office which has been extended into a second term; I have also been connected with an advertising bureau at one time. I don't think there has been a Maclean-Hunter president of the Periodical Press Association -- I think it is about eight years since there has been one. One of our members is a member of Maclean-Hunter, but it is 10 years since he held office. I think what is bothering you is probably that this year, by coincidence ,there happens to be a president of the two major constituents and president of C.P.A. from Maclean-Hunter, but this is not common and I would say that far from dominating it we have -- I know that I have in every office I have held in it -- we have leaned over backwards to try and interpret the wishes of the main group. We have never in my opinion bucked any group in Periodical Press; we have tried to go along with them and work with them in every sense of the word. Now, certainly we are the largest member, we are the largest publisher of business papers, but we are far out-weighed in votes. I don't think that is the

position at all, and this is after 25 years in it.

COMMISSIONER JOHNSTON: Maclean-Hunter would be the largest payer of fees, wouldn't it?

MR. LAURIN: Yes, I would think so. Certainly in the magazine side. Yes, they would be in the business newspaper side, but not by that margin.

Incidentally, on briefs such as this, for your information, there hasn't been time to consult the membership at large before this was put in, but this has gone out to every member of the Association stating that if there is anything they wish to add to it or anything they wish to comment about it they should write direct to the secretary before the rebuttal period, so if there is any disagreement with any of the statements made here by the Executive -- and this has been cleared by the Executive -- that the membership has opportunity to comment on it to the committee.

COMMISSIONER JOHNSTON: Your membership is not so large that you cannot consult them all?

MR. LAURIN: No, it isn't, on that basis. But it is very difficult to get a meeting of them all. I do not think that once in 10 years they all show up. They come from all across Canada, and I doubt if there is a single meeting where everyone is represented.

COMMISSIONER JOHNSTON: If they did

violently disagree could they resign?

MR. LAURIN: If they did disagree they could resign, but I don't think it has occurred. If they disagree with anything that has been said by Periodical Press or which will be said by Periodical Press, they have been not only advised but encouraged to write to the committee.

COMMISSIONER JOHNSTON: It is your conscientious belief that you express the views of the Periodical Press Association.

MR. LAURIN: As closely as possible, with 150-odd firms.

COMMISSIONER JOHNSTON: I wonder if you would explain "whole cost of fulfillment."

MR. LAURIN: Yes. What I am talking about there is the cost of cutting and maintaining the stencil lists, of doing all the filing of the orders which come in, the study, the putting of these stencilled names on the tapes for mailing and the actual splitting of those on the magazines and the delivery of the magazines through the mail. That is what I call whole cost. I would like very much to see that, because it is the circulation, but it is very difficult.

COMMISSIONER JOHNSTON: In paragraph 12 you say the publisher "must price his product at a level that will produce the volume of circulation required..." Why do you say "required"?

MR. LAURIN: Well, it depends on the market that you are trying to reach for the publication. If you design something for mass interest you are trying to appeal to every third family in the country, and if you have a circulation of 100,000, I don't think this would be the audience which would be required by the advertiser which will appeal to every third family in the country. But you are trying to carry a message to that market.

COMMISSIONER JOHNSTON: And this is the volume of circulation required by the advertiser.

MR. LAURIN: Yes, it works that way, and it also works in the reverse. If you get all editorial content to get an audience, if it is a low audience you can sell quite a lot of advertising in that limited group because you are speaking to a limited but important group of people. But certainly the advertising influence is a strong one.

COMMISSIONER JOHNSTON: The Audit Bureau of Circulation takes as a subscriber anyone who gets a publication at less than its cost.

MR. LAURIN: I said it is not less than half its basic annual subscription rate. If it was $2.50 per year, the lowest you could offer would be $1.25. It is related on a per copy basis, and they can make it on a 21-month basis if they want.

COMMISSIONER JOHNSTON: Reader's Digest is conducting a quite interesting campaign in Canada. Did you know that?

MR. LAURIN: I haven't seen that one.

COMMISSIONER JOHNSTON: A "doozer." They told me to reply at a certain time because Miss Something or Other is reserving a copy for me. It struck me as making a reservation to go into a supermarket.

Now, this word "island", the editorial "island". That is a new one on me. Would you explain it?

MR. LAURIN: Yes, sir. Strangely enough, the two publications which come readily to mind where it doesn't really apply is Time and Reader's Digest which, generally speaking, carry the editorial and advertising throughout the book. It is the portion of the publication which comprises solid editorial matter with no advertising interleaved. In the service field it is most apparent. In magazines like McCall's and Home Journal there is a substantial section; you have a series of advertising of ads. running up and then they become interleaved with columns of editorial and then you reach a solid section, and it is generally in those magazines where they have a Campbell's Soup ad. and then follows solid reading, and that is what is known in the trade as the editorial "island". We

are trying to avoid this; we are trying to develop more "islands" through the back of the book. The trend is in this direction, but, nevertheless, the editorial item is a very important one.

COMMISSIONER JOHNSTON: Mr. Bruce Hutchinson, when he appeared before us in Vancouver, expressed the opinion - I am sure I wouldn't agree with it - that good publication mimeographed would find readership. This is in contrast to your argument here that McCall's magazine, with its fancy four-coloured pages, and so forth, would be required to get and maintain a Canadian audience. Is there somewhere between the mimeographed sheet in the Vancouver Island and the glossy stuff in Toronto?

MR. LAURIN: Yes, absolutely. We are constantly striving to produce the highest level of quality we can within our budget to try and get the consumer interest. McCall's in the United States is aiming for first place and doing its very best in getting there, and being very extravagant in doing it. I think they will probably succeed, but they are doing it by spectacular effects.

COMMISSIONER JOHNSTON: To what extent do you think the grocery magazines are competitors to the Periodical Press?

MR. LAURIN: Well, they are competitors in two ways. They are competitors to a degree for reading time; any publication is. I might say that

I consider both of them to be very good magazines. I think they are sincerely put together by someone who is doing a good job and who knows their job. They have not hurt us very much in Canada yet. But we had an example the other day where one firm was preparing an insert for one of our Canadian magazines and it was about to run in another and they received a quotation from two of the American women's magazines which were circulating in this country, and the quotation was very, very substantially below the Canadian price, and it involved the printing of the insert by the firm concerned, shipping it across and binding it and bringing it back into Canada. I am not going to quote the name of the firm, because they have since made the decision not to do this. The quotation offered about 400,000 circulation in these two publications for about a $1,000 more than the publication which was bidding on it which had 125,000 circulation. They are not severe advertising competition at the time in direct advertising, but I think one important area of their competition is their overflow content. If they carry a double-page spread, for the sake of argument for a very well-known food product, and they persuade the store which is dealing in that magazine to merchandise them in Canada, that double-page spread is just as effective as a merchandising tool as if it had been placed in a Canadian magazine, and I am absolutely certain

that it cuts down the advertising in an equivalent Canadian magazine.

COMMISSIONER JOHNSTON: Would you consider the editorial content, say, in Chatelaine?

MR. LAURIN: In some instances, yes; in others, no. I think they do some things better than Chatelaine can do it, and I am sure Chatelaine can do it better in other areas. It is difficult to differentiate between these two things. But I think all in all Chatelaine is a better magazine, but they do some things better than Chatelaine is able to do.

COMMISSIONER JOHNSTON: What I am trying to find out from you is whether these grocery magazines are real magazines or are they geared solely to the sale of the products advertised in them?

MR. LAURIN: I don't think they are geared solely to the sale of the products advertised in them, but I think the sale of the products advertised in them plays a more important part than in a magazine distributed in the normal way. But I think "solely" is too strong a word.

COMMISSIONER JOHNSTON: Thank you.

THE CHAIRMAN: Mr. Laurin, I am interested in your definition of a "Canadian magazine". On page 8, paragraph 30, you say:

"Approaching it from this point of view, it is suggested that periodicals which depend on the re-use of foreign editorial content for the basic

content of a "Canada edition" be deemed to be Canadian only when they are printed and published in Canada, edited in Canada, and contain to the extent of 75% or more, by space, articles or other editorial material..."

Do you really believe that the location of a printing press and of editors really would determine what constitutes a Canadian magazine?

MR. LAURIN: No, sir. The paragraph before I think is very pertinent to this. I said:

"It would appear that the need is not so much for a definition of a Canadian periodical as a definition of what conditions should be met by a foreign publication before it could be deemed to be Canadian in respect to any regulations which the Commission might recommend."

What I had in mind there was this. Let's take the Post Office, which has come up many times. If second-class postal rates in this country were confined to publications which were deemed to be Canadian, I feel that these conditions should be met before the publication is entitled to second-class rates. But I don't think it makes it Canadian just because it is printed in Canada or just because it is edited in Canada. But I think it is important that we should have these publications printed in Canada if they are going to exist in Canada, the editor based in Canada, and I don't mean all the editors should be based in Canada, but the basis of

editorial planning and detail should be done here so that it has the best possible chance of reflecting the Canadian viewpoint in that 75% which is produced.

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THE CHAIRMAN: But isn't the character of a magazine, whether it is Canadian or foreign, determined by the simple fact: Where is it owned? What is the sense of saying that it should be edited in Canada, if the owners are in New York or in London, England?

Everybody connected with the press knows perfectly well that there is no such thing as the editor of a Canadian magazine or any other magazine apart from the owner of the magazine. The owner is the editor and he must be the editor. He is the responsible person. You don't sue an editor. You sue the publishers and owners.

Now, my point is that if a magazine has even 51% ownership in a foreign state that magazine is a foreign magazine, and that is all there is to it.

MR. LAURIN: Yes.

THE CHAIRMAN: You don't need to go into a lot of terminology to define a "foreign publication." A "foreign publication" is where it is owned. You give us something further there --

MR. LAURIN: I would have no objection whatever to that definition, but, as I say, I feel that that is not necessarily the case. Actually the editor of a publication is chosen by the owners and, let us say, the editorial staff is hired and fired

by the owner, so that in that sense he completely controls the editorial content of the publication; but I don't think that there is anything particularly wrong with the fact of somebody in England ~~or~~ the United States, if they establish the publication wholly in Canada and have it edited in Canada and say "Be Canadian". I don't see any objection to that. But I see no objection to the ownership definition.

THE CHAIRMAN: You see no objection from the standpoint of competition, and it may be that those conditions you laid down here would enable you to compete more effectively -- although I wouldn't be too sure of it. But we here have to consider more than what is equitable competition for you or the periodical press. We have to consider what is right and good for Canada.

MR. LAURIN: Yes.

THE CHAIRMAN: Is it a desirable thing for a country to give up control of its communications?

MR. LAURIN: Put that way, I don't think it is.

THE CHAIRMAN: Well, the Americans put it that way. Have you read the regulations of the Federal Communications Commission in the United States?

MR. LAURIN: Yes.

THE CHAIRMAN: Would they allow you to have a TV channel, or a radio channel?

MR. LAURIN: No.

THE CHAIRMAN: And why not?

[illegible] For the very reason that they want to control their communications?

MR. LAURIN: Yes.

THE CHAIRMAN: If it is admitted that the periodical press, or newspapers, are just as necessary an agency of communication as television or the radio then you come to the inescapable conclusion that you must keep ownership of these things in this country. That is why we have the B.B.G., and that is why the Federal Communications Commission in the United States says that no foreigner can have a channel, no foreigner can have a radio license. All this makes me a bit impatient with people who come and say that you must lay down this condition, or that condition, or the other condition without defining the Canadian magazine. There is no Canadian magazine owned in the United States, or in France or in Britain. We all remember the trouble in France at the beginning of the last war when they discovered that a great many of their newspapers were owned outside France. This is the thing we have got to consider.

I don't see much sense in these things. A magazine, if it is owned outside this country, it is controlled outside this country; whether that control enables magazines within Canada to compete with them to me is not a relevant or vital thing.

MR. LAURIN: Well, what I was trying to do was to produce a definition that would deem a publication to be a Canadian publication.

THE CHAIRMAN: But even if they complied with the conditions you have laid down here would it not still be true that this would enable them to do things to you then that they do now?

MR. LAURIN: Yes, but to a much lesser degree.

THE CHAIRMAN: Perhaps to a much lesser degree; but you couldn't besure of that.

My colleague has sent to me a note: "What about Saturday Night?" What I have said would apply absolutely to Saturday Night. If Saturday Night is owned in the state of California then Saturday Night is not a Canadian magazine and should be dealt with accordingly.

I think we had better have some lunch. I am told that it is only 12 o'clock. Could you, Mr. Chalmers, make your submission now?

MR. CHALMERS: Yes; I will take only about twenty minutes.

SUPPLEMENTARY SUBMISSION OF THE MACLEAN-HUNTER PUBLISHING COMPANY LIMITED.

EXHIBIT O-91:

Appearance: Mr. Floyd S. Chalmers. - President.

We appreciate the opportunity of supplementing the submission that our company made to the Commission during its first hearings in Ottawa.

As a result of these public hearings, the people of Canada have been presented with a very broad and comprehensive picture of the role of periodicals in the development of the national life and the Canadian spirit and as a source of ideas and information to the general public and to business men; with their role as employers of labour, directly in offices and printing plants and in factories making paper, ink, engravings, etc., and as a substantial source of income to writers, artists and photographers.

The public has learned that a very high percentage of the periodicals supplied to the people of this country are not of Canadian origin and make little or no pretence of presenting Canadian information or reflecting the Canadian spirit and the Canadian point of view.

The public has learned that Canadian magazines have for many years operated in an

atmosphere that is by no means conductive to their growth and development; that in fact few Canadian magazines have been able to survive; that few of those that have survived exist today because of any profit they earn. It has been revealed that this frigid atmosphere is one in which there is little likelihood of new publications coming into being.

It has been made clear that this situation is viewed with gravity by many good Canadian citizens -- governmental officials, editors, writers, artists, the printing trades unions, the graphic arts industries and the representatives of national associations in many fields.

After listening to or reading all of the representations that have been made we stand by and re-submit for your consideration our original submission.

Evidence before the Commission in all parts of the country has substantiated the picture of the general conditions in the magazine publishing industry of Canada that we put before you.

We are convinced that the various phases of the problem are substantially as we outlined them to you and as they were described in the more detailed submissions of the Periodical Press Association and the Business Newspapers Association, both of which submissions we endorsed.

We recognize, as we did before, that this is a difficult problem and that there is no one simple solution for it. But we are convinced that it is possible gradually to create a more favourable atmosphere for the publishing of truly Canadian periodicals, an atmosphere in which existing publications would be given a better chance for survival and in which new Canadian publications would be born and live.

Indeed, our impression from the evidence before the Commission is that there are many fields in which new magazines might very well be started in this country once the present difficult situation of magazine publishing in Canada is ameliorated.

The Canadian market is certainly a large enough one. Canadians buy plenty of magazines - over 200 million a year not counting week-end magazines - and there is a reasonable volume of magazine advertising addressed to Canadians.

The Canadian market is large enough to support a news magazine. The Canadian market is large enough to support a good illustrated magazine.

It is large enough to support new magazines in other fields such as:

Teen Age	Fashion
Wit and Humour	Digest
Popular Science	Children

Home Mechanics	Needlecraft
Gardening	Parents
Travel	

It is not a question of size of market since the market exists. Rather it is a question of the portion of the Canadian market for readers and the Canadian market for advertising that might be available to any new venture. At the present time, when newstands are dominated by overflow magazines of outside origin, the cost of building circulation would be very great. At the present time, with the advertising market invaded by the magazines of other peoples and nations, enjoying the competitive advantages that have been outlined by so many witnesses, any new magazine in Canada in the news magazine or any other field would now be a pretty hazardous affair. But if and when conditions change, these new magazines can and will come into existence.

It does not follow that Maclean-Hunter would enter any of the fields that I have outlined.

Moreover, we do not think it would be healthy either for Canada or for Maclean-Hunter for anyone to acquire a dominating position in magazine publishing, or for that matter in business newspaper publishing, printing or any other field.

A great many Canadian magazines and ideas for magazines, general and specialized, have been

offered to Maclean-Hunter over the term of recent years. Many suggestions for new magazines have been put before us, usually by young men anxious to serve their country in publishing but with insufficient capital or other resources to see their projects through to completion. In the last decade, we have turned down probably more than a hundred such proposals - either to buy someone out or to help someone get started.

We wish to concentrate our energies on our existing magazines which present us with quite considerable problems to which we are not anxious to add. We feel that under improved publishing conditions we would still have a wide field of growth open to those magazines; that is to say, our present magazines.

We said in Ottawa that Canada needs more magazine publishers and more Canadian magazines. It is important, in our opinion, that this objective be kept before us. So far as our company is concerned, we have a simple desire and ambition: we would be very happy if we could make a financial success of our present magazines and expand their editorial service, their circulations, and their general contribution to the country.

In our company's original submission we presented some figures of Maclean-Hunter's share

of advertising volume in print media in Canada. During the hearings there has been a tendency to group magazines and week-end papers together. On this basis, Maclean-Hunter's share in 1959 was 21.4 per cent.

An additional figure that gives some importance, perhaps, to this figure is that Readers Digest and Time's share was 20.9. Maclean-Hunter's was 21.4 and Readers Digest and Time's was 20.9.

THE CHAIRMAN: Each 20.9?

MR. CHALMERS: 20.9.

THE CHAIRMAN: Between them?

MR. CHALMERS: The two together, yes. 21.4 and 20.9 are the figures for the record.

As for circulation, the total number of copies of our three Maclean-Hunter magazines sold in Canada in the last year was slightly less than the number of copies of Saturday Evening Post and Life sold in Canada in the same period.

If Maclean-Hunter magazines have survived, and in some cases have grown, it is not because we are so much more clever than anyone else in the field. It is primarily because we have diversified our enterprise to such an extent, and have provided ourselves with other sources of revenue that have given the company financial strength. This has enabled us to be pretty stubborn about

our magazines and to stick with them in the face of conditions that some other publishers have unhappily not been able to weather. It certainly has not been a financially rewarding experience to publish our magazines, although we hope that one day it will be.

When I appeared before the Commission in Ottawa in late November I stated that our magazine division had made a profit in 1959. We did not make a profit on our magazines in 1960 and in fact the losses were quite substantial.

The losses are to some extent due to the slowing up of business but, for the main part, they are the result of aggressively seeking to expand and improve the editorial service of our magazines and to strengthen their circulation position.

With Canadian Homes, we have boldly launched what is almost a new magazine. We found that the cost per thousand advertising pages on that magazine was being unfavourably compared with other magazines in Canada; that is to say, it was considerably higher. On a circulation in the 125,000 - 150,000 range it is folly to try to compete on a basis of cost. By "cost" I mean cost per thousand advertising pages. You can compete only on the basis of the quality on the audience, its purchasing power or its special interest in certain lines of merchandise or services. We have increased the basic weight of the

paper stock. We have greatly increased the editorial budget; we have added four-colour editorial pages, we have developed new and quite costly features. We have raised the appeal from a strictly mass audience to an audience of better than average purchasing power. We have increased advertising rates.

We hope this policy will pay off; but, so far as 1960 was concerned, the increase in editorial and production costs was greater than the increase in advertising revenues.

On Maclean's Magazines, we undertook a rather far-reaching re-building of editorial staff and policy. Many editors were moved physically from one city to another; new editorial bureaus were opened; rates to contributors were increased.

On the advertising side we decided to back out of the "numbers game" - that is to say, in competition for sheer circulation numbers - and to concentrate on the preferred audience to which the special national and somewhat serious character of Maclean's editorial content would appeal.

Then we extended two of our magazines -- Maclean's and Chatelaine -- into the French language field for the reasons and with the special policies that I outlined on my previous appearance.

All of these moves were made in the normal course of our business planning. I refer to them only to emphasize to the Commissioners that we have not

been sitting on our hands hoping for some favourable tax or legislative situation to turn up that would create a profitable situation for our magazines. We have had to face frightfully serious problems and we have tried to meet them.

Turning to a specific point that has come up in the hearings, we should like to enlarge upon the matter of newsstand distribution. The experience of Maclean-Hunter may throw some light on this problem as it affects Canadian magazines in general.

Maclean-Hunter magazines and the Financial Post are distributed to wholesalers and newsstands in Canada by the Curtis Distributing Company of Canada, a subsidiary of the Curtis Publishing Company of Philadelphia.

It may appear to the Commissioners as a curious situation that a group of Canadian publications should be distributed to Canadian outlets by a foreign company that is also a competitor. The facts are comparatively simple; and quite revealing.

Many years ago Maclean-Hunter organized a national distribution organization known as Trans-Canada News Company. This handled our single copy sales through wholesalers and newsstands. We offered the facilities of Trans-Canada News to other Canadian publishers and some of them took advantage

of the facilities we established. These were for the most part smaller magazines with limited newsstand distribution. We also made an endeavour to put more English magazines on Canadian newsstands, and handled a few such publications including Punch and News Review. This latter effort was never very successful, chiefly because British publications did not wish to conform to the traditional North American practice of permitting returns of unsold copies. Had they done this I think we could have built up a good sale for them.

We also offered our facilities to American publishers. But we found that it was almost universally the practice of American publishers to use in Canada the Canadian branch of the American agency that handled their sales in the United States. They were all up here: Curtis, Select, Fawcett, Hearst, Kable and a dozen others.

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In the final analysis, the total number of titles -- not all of them, but quite a few -- and copies that we were able to offer to the wholesalers was very small. I have forgotten the exact figures but I think that when we got out some comparative estimates a few years ago, Trans-Canada's total sales were equivalent to approximately one or two per cent of the total sales of the largest American-owned company handling newsstand and national distribution in Canada.

We want to put it on record that, by and large, Canadian wholesale distributors were friendly and co-operative. Some wholesalers went out of their way to give Canadian publications a better break than their comparative sales justified.

I remember Mike out in Edmonton; he always insisted the first magazine anybody ever saw when they entered his store was Macleans magazine. He was both a wholesaler and a retailer, and there were quite a few wholesalers who did give Canadian magazines a real break. The wholesaler is a big force in influencing the newsdealers' selection of titles, the placing of them on his stand, and the effective use of the point-of-sale promotional material that the publishers provide.

Working with the wholesale distributors, and supplementing their activities among the newsdealers, is another group of sales people; the

branch managers and the field men employed by the national distributors. We maintained a limited field force on Trans-Canada News but it seldom exceeded five men-- I doubt if it ever exceeded five men -- and it was entirely inadequate to cover the country. Most of the larger American-owned news organizations, with subsidiary companies in Canada, employed from a dozen to 25 field men who were in constant touch with the wholesalers and the larger retail outlets.

These field men have much influence on the displays at the newstands. Our small field force was swamped by the larger field forces of the American companies.

It was sheer pride and stubborness that caused us to stand out for years and to maintain Trans-Canada News as a strictly Canadian operation even though our losses were quite considerable.

But finally we had to bow to the inevitable and to recognize the fact that, if we wanted our publications to get a fair break in position, display and promotion on Canadian newsstands, we would have to sign up with a larger organization even if it was not a Canadian organization. By "larger organization" I mean an organization with more men out doing the job.

We picked the Curtis group because they had the largest field force - some 25 branch

managers and field men in all. We were also impressed by the fact that they were able to get display for the Saturday Evening Post where we could not get display for Maclean's, such as on the top of the glass counter in the United Cigar Stores.

We can not honestly say that Curtis have increased our newsstand sales. We have been in a period of modest recession and unemployment which always affect sales of magazines as of everything else. On some publications sales are higher; on others lower. But by dealing through Curtis we have saved the money we were losing in the attempt to operate our own Canadian company.

If we can get some improvement in the magazine situation in Canada, with more Canadian titles and more space on the newsstands for Canadian titles, we would like to see a new national news distributing organization set up in Canada, probably owned jointly by a group of Canadian publishers, and adequately staffed to cover every wholesaler and every major newsstand adequately.

Such an organization is badly needed particularly for the benefit of the smaller publishers -- you have heard from some of them -- who have difficulty in getting anyone to distribute their magazines at all.

Any further points that we might bring out would in reality be repetitious of our original

submission. If there are other questions in the minds of the Commissioners, we shall be most happy to answer them to the extent of our knowledge.

THE CHAIRMAN: You will be back after lunch?

MR. CHALMERS: Oh yes.

THE CHAIRMAN: What is next after Mr. Chalmers?

MR. QUINN: The BNA is supposed to be next, but the ACA have been advised that they will be on at 2:30.

MR. JOHNSTON: Could you come back after the advertising agency?

MR. CHALMERS: I will be back here anyway.

THE CHAIRMAN: How long will your questioning take?

MR. JOHNSTON: I would think, Mr. Chairman, that it would be better if the advertising agency -

THE CHAIRMAN: What is your urgency? Do you have to catch a train?

MR. REYNOLDS: All we wish is to be on today.

THE CHAIRMAN: We will take Mr. Chalmers after lunch and then you will follow Mr. Chalmers.

MR. REYNOLDS: Thank you, sir.

--- Luncheon Adjournment ---

--- On resuming at 2.30 p.m.

SUPPLEMENTARY SUBMISSION BY ASSOCIATION OF CANADIAN ADVERTISERS, INCORPORATED and CANADIAN ASSOCIATION OF ADVERTISING AGENCIES

Appearances: Allan B. Yeates, for the Association of Canadian Advertisers, Incorporated;

Warren Reynolds, for the Canadian Association of Advertising Agencies.

THE CHAIRMAN: Mr. Yeates, before you begin and for the purpose of clarity, I wish that whoever reads the brief would answer the questions afterwards, because the last time the questions were answered alternately by you and Mr. Reynolds, and that was very difficult for our records, so if you will answer the questions and then maybe we could have Mr. Reynolds separately afterwards.

MR. YEATES: Mr. Reynolds will read the brief, then.

Before doing so, I would like to request your permission to file into the record as an exhibit a copy of the constitution and by-laws of the Association of Canadian Advertisers, and a copy of our membership list broken down by country of origin.

I would also like permission to file as an exhibit a copy of the A.C.A.-C.A.A.A. questionnaire to our memberships, and the tabulated replies and the remarks of the respondents. And now, Mr. Reynolds will take over.

MR. REYNOLDS: Mr. Chairman, I would like similar permission to file into the record

as an exhibit a copy of the constitution and by-laws of the Canadian Association of Advertising Agencies and with our membership list broken down as to country of origin.

I would like very sincerely to express, Mr. Chairman, to you and to the Commission our appreciation of your indulgence in permitting us to appear first this afternoon. Mr. Yeates is expected home because his wife was expecting him and something else besides, and having suffered the hardship of missing a 1960 tax exemption, I think that is all the suffering he should endure.

--- EXHIBIT O-92: A.C.A. Membership List

O-93: A.C.A. Constitution and By-Laws

O-94: C.A.A. - do. -

O-95: C.A.A. Membership List

O-96: A.C.A. Replies to Questionnaire

O-97: C.A.A. - do. -

O-98: A.C.A. & C.A.A. Statistics to Questionnaire

O-99: A.C.A. & C.A.A. Brief

MR. REYNOLDS: For your information, Mr. Chairman, I would like to read the foreword and the few pages of supplementary submission to this Commission.

FOREWORD. To advertisers and advertising agencies in Canada, the Canadian periodical press represents an important means of communication for carrying sales and institutional messages to the Canadian public. In this sense, these publications

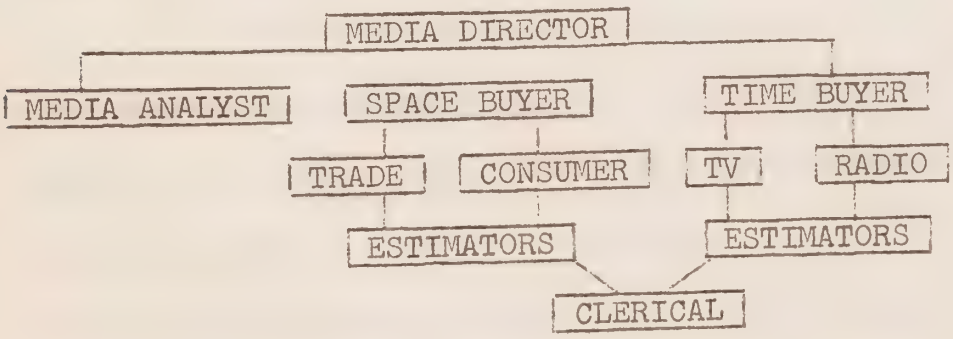
are analyzed as advertising media and compared with other media; and we believe it may be helpful to the Commission to review, perhaps in some detail, how an advertising agency goes about preparing its media recommendations.

The selection of media for national advertising in Canada is becoming increasingly complex, due to -

(a) The ever-growing number of media available - the continuing improvement of most media, and the generally increasing cost of these media.

(b) The refining of marketing skills - by both agency and advertiser - which poses greater demands and provides more highly developed yardsticks for media evaluation.

To meet this challenge, most agencies in recent years, have greatly enlarged their media facilities. The basic structure generally looks like this:



The media director should be a highly skilled person. He must - in consultation with the client and the client service group in the agency -

interpret the advertiser's marketing demands in terms of media requirements. To do this, it is essential that he has a good basic understanding of the product, its markets and its problems. He must be able to compare various media in terms of their suitability for the creative approach decided on, so that he can inform the creative departments on the relative strengths and weaknesses of all media.

The media director must also keep constantly up-to-date on the mechanical details of media; i.e., actual space and time costs, coverage and audience analysis, cost per thousand persons reached, reproduction quality, etc.

His is a planning function which usually deals with the broad allocation of dollars among media. That is his responsibility. He must also give due attention to new methods of evaluation, their strengths and weaknesses, and must provide guidance to media and research services toward improving available data.

The role of the media analyst is becoming more and more important. It is his function to provide the media director - as well as the space and time buyers - with the statistical information on which to base their judgments. This information includes:

- coverage by regional, socio-economic, age, sex and other groupings

- ability to actually deliver messages - e.g., station ratings, readership of advertisements, traffic counts, etc.
- overlapping or duplication of media circulation
- cumulative audience build-up, either by more concentrated use of a single medium or by an extension of the media used
- competitive media patterns.

The function of this department is usually objective; they supply the facts on which decisions can be made - they rarely, if ever, make the decisions themselves.

Time and space buyers are responsible for selection of specific stations or publications. They are primarily interested in the audience size, its characteristics and the cost efficiencies developed by these stations or publications.

Depending upon the size of the agency, space buying can be further specialized to trade and consumer publications, and broadcast media can be divided into television and radio responsibilities.

The personnel in these units operate in an area of limited responsibility recommending, and later, buying units of space and time according to the final plan approved by the client.

The functions of the estimators and the clerical sections are purely mechanical.

This type of departmental structure has led naturally to the following procedures in the development of the media plan:

1. Planning
2. Execution

At the planning stage, marketing and creative considerations are of primary importance and are the determinants of broad media recommendations.

The following are a few examples of the considerations that influence the allocation of the media dollar:

Marketing Considerations. The distribution pattern of a product determines whether national, regional or local media should be used. A product with mass appeal requires mass media; one with a specific consumer group requires more selective media in its programming. Advertising an established product may dictate a different media selection than does the introduction of a new product.

A product with a complicated sales story usually demands different media from one that requires only name registration or slogan advertising. If a product has a seasonal sales pattern and requires concentrated support during definite periods, this has a strong bearing on the media selected.

Creative Considerations. Is the creative concept strengthened by actual demonstration of the product in use? Is the sales story enhanced by pictorial appetite appeal and inclusion of actual recipes? Is the advertisement designed to stimulate immediate action or to create a latent desire for the product that can be triggered at a later date? Is the product one that has unusual product benefits that can be advertised - or is it one whose sales may best be stimulated by creating a strong appealing brand image - i.e., Marlboro? Does the creative and marketing strategy demand accurate and strong package identification?

The above is by no means an exhaustive list, but rather is designed to illustrate the kind of approach used in developing a media plan.

There are also other elements that must be considered in the media planning stage. For example: the total budget available often eliminates certain media. If seasonal or regional flexibility is mandatory, again media choice is narrowed.

These are the elements, and together with whatever additional areas are pertinent to the product or situation, they are collected, collated and analyzed by the media director in conjunction with the client service and creative groups. At this point, the basic media pattern is set, recommended to the client, and the decision to use a

particular medium or combination of media is then reached.

The second stage is the actual execution or development of the detailed media plan. A hypothetical example here can be more specific. Let us assume that the synthesis of the elements in the planning procedure dictates the use of print media; because full colour is required, quality reproduction is important, the desired audience is female and editorial compatability will be a significant plus. The product has national distribution, with a usage pattern that is strongly urban; it has no significant seasonal trends.

Since this is a print media campaign, it becomes the responsibility of the media analyst and the space buyers to recommend the actual publication list and to supply the supporting data.

For the product category previously outlined, the following list of English language periodicals might be considered:

Maclean's Magazine
Reader's Digest
Chatelaine
Time
Canadian Homes
Liberty
Weekend Magazine
Star Weekly

The foregoing publications might be compared on the basis of the following seven factors as being among the most important:

1. Colour reproduction.

2. Editorial compatability.

3. National coverage.

4. Urban vs. rural audience.

5. Cost per 1000 female audience.

6. Total female audience, age 23 to 60.

7. Continuity available within budget.

I would like to point out that the listing is not in sequence of importance of the points.

Once this rating has been made, an effective schedule is developed for the first choice publications, and then the subsequent ones within the framework of the budget.

This outline is then passed to the estimating department where schedules and costs are prepared in the form of a final estimate.

This estimate, together with supporting reasoning and statistical justification, are then combined to form the complete media recommendation for discussion with the client.

Now, I would like to ask your permission to permit us further to deal briefly with the implication of the recommendation made bfore this Commission on the 12th of December.

IMPLICATIONS OF JOINT ACA-CAAA SUGGESTION TO ROYAL COMMISSION. Now, with your permission, we would like to point out here some of the

implications of our joint suggestion made in our submission to the Royal Commission on December 12th last, and possible results favourable to Canadian periodicals that might accrue if this suggestion were implemented.

The joint recommendation as made on page 9, paragraph 6, in our submission is as follows:

"May we respectfully suggest therefore that the Commission explore the possibility of steps which would make it economically more desirable for publications accepting Canadian advertising - advertising, that is, which is addressed to the Canadian consumer - to print and publish in Canada."

The meaning of this recommendation might have been clearer had it read as follows:

"We respectfully suggest therefore that the Commission explore the possibility of making it mandatory for non-Canadian publications accepting Canadian advertising - advertising, that is, which is addressed to the Canadian consumer - to print and publish in Canada."

This would have the effect of causing certain U.S. publications with special "Canada" sections, to cease publishing "Canada" sections carrying Canadian advertising.

It would also have the effect of causing U.S. publications, now making available split-runs

or regional advertising to Canadian advertisers, to cease publication of these split-runs and would prohibit those U.S. publishers who may presently be contemplating the use of this technique from doing so.

We submit that the net effect would be to create a climate more favourable to the long-range development of Canadian publications.

Respectfully submitted.

COMMISSIONER JOHNSTON: Mr. Reynolds, all except the last page of your brief - and I have read it several times since it was delivered to me - strikes me as a fine lecture to be presented to the School of Advertising and the university extension courses, but insofar as this Commission is concerned it is like the flowers that bloom in the spring; it has nothing to do with the case. That is my opinion.

Now then, at the conclusion of the joint submission last year, you said that you and Mr. Yeates were greivously disappointed in me, or words to that effect, and that you hoped to disabuse my mind of the fallacies with regard to advertising and advertisign agencies. Now, I am going to be disabused. Where are my fallacies; tell me?

MR. REYNOLDS: I submit with respect that the hearing conducted in Toronto on the 12th of December was unfortunate in that the tone of the hearing and the implications in the questions,

being of a rhetorical nature, were somewhat different than I would have expected from a Royal Commission seeking information.

You suggested, according to my interpretation, Mr. Johnston, that the submission by our joint associations was of little use to the Commission because it contained, in your opinion, no more than a recommendation that the publishing and the printing in Canada be mandatory.

We feel in these circumstances that this, certainly insofar as the threat of split-runs is concerned, would be a great step forward in protecting - if protection is necessary - indigenous Canadian publishers. That would be a very important matter. Admittedly, it didn't go on to some of the other ramifications of publishing in this country, but it certainly dealt with a very important one.

At the time that we were present in that hearing you asked me what I interpreted to be a rhetorical question with regard to the use of Time Magazine as an advertising medium as compared with the use of a multiple number of roughly 100 weekly newspapers, and if my memory is correct - and I would be pleased to be corrected if I am wrong - as I recall you said to me, "You would use Time Magazine in preference to 100 weeklies because it would cost you less to issue one cheque to Time Magazine than it would cost you to issue 100 cheques

to 100 weeklies, and therefore you would use Time Magazine, wouldn't you?" Those may not be the exact words, but I believe, Mr. Johnston, they are close to your question at the time.

I felt that this was quite a departure in the behaviour pattern which I would expect from a Royal Commission seeking information, because of the very nature of the question which was separate from what I would think would be the basic tenets and responsibilities entrusted in this Commission by Her Majesty in order to find out information for the good of the Canadian people, because the implications in the question were in themselves defamatory, and I resented it bitterly.

COMMISSIONER JOHNSTON: I am sorry that you and I can't agree. I have seen a number of Royal Commissions, and I have been on the witness stand on one and there is nothing in the Enquiries Act which says that this Royal Commission has to behave as other Royal Commissions have done.

No, I am trying to find out, and I ask you this question: if you were a super human person who would not take into consideration the net profit of the agency in making your recommendation -- and I stand by that from the point of view of long time experience in and about the fringes of advertising - why, if that is not so, is your brief solely a recommendation for the maintenance of Times and Readers Digest as competition to Canadian magazines? It isn't anything else, and I have looked for it, honestly I have.

MR. REYNOLDS: Mr. Johnston, I am pleased that you have defined it. The recommendation of our two associations is not a recommendation for the maintenance of Time and Readers Digest - this has got to be very expressly stated - it is a recommendation embracing the fact that publishing in Canada should be mandatory, printing in Canada. But it does not state that this might be the only form of solution of a problem which this Commission will highlight and develop and define. There is

nothing implied in our recommendation which says we are out to maintain any media in Canada regardless of the commercial or cultural implications.

COMMISSIONER JOHNSTON: The effect of your recommendation is simply that. The problem is these magazines from another land, and your brief does not give us any suggestion or any hint as to how we are going to deal with that problem. I did suggest that maybe -- and this is something that you should examine your consciences about -- that maybe when you come to make a recommendation you would sooner go into the bigger papers than the little papers. I am not interested in Maclean's in the least; I am interested in if we can establish a climate in this country so that smaller magazines may get themselves established, and your brief was just an negation of that entire idea.

MR. REYNOLDS: Mr. Johnston, I must have it recorded in the record that I disagree with your position.

COMMISSIONER JOHNSTON: All right. Now, you did say later on that you felt that there were other media, page 64. You would be very interested to know, Mr. Reynolds, how much time over this holiday period I have spent on this question. I never knew you a week before Christmas, and certainly you have been on my mind

ever since.

"Commissioner Johnston: Are you contending there is no substitute for Time and Readers Digest for Canadian advertising?

Mr. Reynolds: If we were going to make any contention on these grounds at all it would be that there is a substitute for any publication that is in existence in Canada."

You said that and you stand by that?

MR. REYNOLDS: Yes.

COMMISSIONER JOHNSTON: Now, you don't need to give Time and Readers Digest Canadian advertising. The Canadian advertising industry would be just as well off, would it? You might have a period of adjustment, but you would do all right.

MR. REYNOLDS: I cannot answer on the basis of just as well off because I do not know the ramifications of "just as well off". On the other hand, if Time and Readers Digest did not accept advertising in Canada or no longer existed in Canada as an advertising media, then there are other media in Canada which would be used. I am not suggesting that this would mean any net reduction in advertising dollars spent in Canada necessarily.

In a case like this it is congecture; we have no historical precedent on which to base judgment. What would be the outcome insofar as other publishers in Canada are concerned with the absence of Time and Readers Digest it is difficult to say. There are various contradictory opinions on this point. I know that a number of peope assume that it would be of benefit to indigenous Canadian publishers. Here is a case where judgment is of paramount consideration. There is no precedent to base this on as far as advertising is concerned. As far as the growth of our economy, we may see a temporary period in 1961 with a net decrease in advertising dollars, but no one can persuade me that 1962, 1963, and 1964, and so on are not going to be constantly improving the total number of dollars. One thing that has changed is that it is becoming more and more demanding that the dollars be used efficiently.

COMMISSIONER JOHNSTON: Efficiency from whose point of view?

MR. REYNOLDS: Well, efficiency from the point of view carrys a double responsibility. From a commercial sense the efficiency of the dollars is in a free economy the cost of advertising against the end cost of the product. One-tenth of one per cent, depending on the nature of the commodity. It is the efficiency of the employment of those dollars as to sales against the brand that is advertised, and

any legal permissible means with regard to the use of various kinds of publications, all the way from printed words through television to sky-writing, is the privilege of the manufacturer or the innovator to use provided it is legal to do so. In as far as the return to the agency in its recommendation, in your earlier questions you referred to the fact of higher cost in one media than the other, therefore the lower return to the agency. I can cite a number of examples for you. Efficient agencies, other than the one I personally represent, have advocated the use of advertising and promotional dollars in areas which have brought no return or no renumeration to the agency. I recall after an earlier meeting discussing this with Mr. R.R. MacIntosh who was Vice President of General Foods, and he said to me, warned many times: "Agencies have come to us on the introduction of a new product and said: 'Let's use all of these dollars on a sampling basis in order to get this food into the hands of the homemaker so that she can realize its benefits, and then we can go on to a broader distribution '".

COMMISSIONER JOHNSTON: That is out of the realm of advertising. That is sales promotion, isn't it? Would the agency get a fee for that?

MR. REYNOLDS: Sometimes they do and

sometimes they do not. I would therefore like the privilege of explaining why they do and why they do not.

With the development of a new product or acquisition of a new client, very often there is an investment period for the agency or for the advertiser. But you asked me in this case the agency's remuneration. There is an investment period for the agency when they are not necessarily giving away their services but making an investment on their own wisdom to help the client to become established.

COMMISSIONER JOHNSTON: And get into business, and that is sales promotion on the part of the agency.

MR. REYNOLDS: But an agency's function is no longer in the narrow channel of creative writing and creative art and photography. It is as important as it ever was because of the increasing tempo of business, but an agency can no longer confine its interest to this area because what is the use of buying a media where there is waste circulation. It is knowing where the circulation goes and knowing what kind of distribution you have got. So the whole ramification of marketing in all its divergent channels, the methods of market analysis, the composition of the market, the opportunitiesis for the market, are extremely

important in the agency business.

If I make take the liberty to illustrate this with a specific example, and I hope, although I represent an association, that the several members of my association will forgive me for citing an example of our own company.

A number of years ago a large American milling company wanted to come to this country, and they were interested in building a plant, a very substantial plant, making their entire product in this country, Canadian wheat and oats and so on and they said "We would like to come to Canada with a product." In my mind there was a reference to it this morning. "We would like to come to Canada with the product called 'Wheaties'. Wheaties is a breakfast cereal, and it has been advertised in the United States for 20 years, and we think that the Canadian people will welcome it, and we think they will welcome it because the overflow circulation of American publications have coupons coming back to the United States, that border point stations have carried a program for the last number of years, a program called "Frank Armstrong" and Canadians listen to it. So when our program is finished this thing we want Wheaties released to the Canadian market in June. Would you get ready?" In the context you referred to all

that would have been involved would have been to create an advertising addressed to Canadians on the product "Wheaties". Instead, a marketing agency went back to the principals in Minneapolis and said: "No, don't come to Canada with Wheaties because it is only another flake. Kelloggs have a brand flake, Post have a brand flake. Admittedly, Wheaties is a superior flake, but do not bring it to Canada as a flake. Instead, come to Canada with a product called 'Cheerios'. 'Cheerios' is a basic oat cereal and Canadians are inclined to oat cereals as cereals. They did, and they had a successful experience.

Now, this is a question of understanding a market, and these things are being duplicated day after day by advertising agencies far beyond the terms of your original question.

COMMISSIONER JOHNSTON: I do not know that has anything to do with the case either. I want to know if you people conscientiously, having regard to the fact - and I was in the commission business for a very brief time - I want to know if you people conscientiously can separate a recommendation from a commission, the perfidious system of profit by percentage. Can you do it? I could not. I decided I would seek a proper fee and charge my disbursement on top. I see that somebody else is trying it, but I do not see that their system is

any better than yours.

MR. REYNOLDS: I think, without naming names, I read that story in close detail, rather interested in it. But it only means one thing as far as I am concerned, that the man who abolished the commission system had to do it to discipline himself because, as he said in his news release, he did not feel competent to recommend media on the basis of its return, and he had to resort to that extreme for self-discipline. We would have no right to be in the agency business if we did not feel this way.

COMMISSIONER JOHNSTON: How many - you call them franchised agencies - in Canada?

MR. REYNOLDS: How many are there?

COMMISSIONER JOHNSTON: Yes.

MR. REYNOLDS: Our membership comprises 45. Now, how many there are beyond that I must say I don't know. But I would like to ask Mr. Bell, the General Manager of our association, if he is aware of it.

According to the Dominion Bureau of Statistics, there is something in the nature of 115. Now, this is the way in which they categorize the function of the agency business. The extent to which they are enfranchised is questionable. Some may be regionally franchised, some may be franchised in the outdoor posting business, some

may broadcast and not others. But it must be truly franchised by all media of bodies.

COMMISSIONER JOHNSTON: Mr. Chalmers is coming along and he will probably know how many agencies there are to which they pay commissions.

Now, I have not had time to go over your questions, the questionnaire. Yours is C.A.A. A. There are 26 people, 26 of your members, approximately, who agreed that there was inequitable competition.

MR. REYNOLDS: Yes, sir.

COMMISSIONER JOHNSTON: That would be more than half of your members.

MR. REYNOLDS: 68 per cent, sir.

COMMISSIONER JOHNSTON: And yet you come to this Commission with a brief which said that there was nothing to be done except as a job for printers. Is that not so? Your own recommendation was to compel them, the only recommendation is to compel these papers to print in Canada, and yet 26 of your members say that there is inequitable competition.

MR. REYNOLDS: The question, Mr. Johnston, is: do you agree with the allegation made by the government that because of inequitable competition from foreign periodicals in various forms the competition to Canadian magazines has been prejudiced?

68 per cent of the membership said yes. Now, the conclusions submitted today are our recommendations submitted to the Commission.

COMMISSIONER JOHNSTON: Inspite of the fact that 68% of your membership say there is inequitable competition, you do not come up with anything other than that the competition continue. Is it not a fact? Am I misinterpreting this?

MR. REYNOLDS: You are.

COMMISSIONER JOHNSTON: What other interpretation is there?

MR. REYNOLDS: The inequitable competition referred to, among others, is Canadian split run editions, Canadian editions printed outside of Canada.

COMMISSIONER JOHNSTON: Your recommendation would not cover overflow of split run.

MR. REYNOLDS: By all means, because overflow and split runs are printed outside of Canada, and come into Canada.

COMMISSIONER JOHNSTON: They would come in, too,

MR. REYNOLDS: Under our recommendation, not at all. Our recommendation is that it would be mandatory that they are printed and published in Canada.

COMMISSIONER JOHNSTON: As split runs?

MR. REYNOLDS: By all means; and you may recall, sir, at the hearing last year you asked me the question: "Were you against the split runs?" and I said:" By all means, without question.

COMMISSIONER JOHNSTON: "We respectfully suggest that the Commission explore the possibility of making it mandatory for Canadian publications accepting Canadian advertising to print their publications in Canada as regards advertising addressed to the Canadian consumers."

Reader's Digest already prints here and Time has announced that it is going to.

MR. REYNOLDS: Yes.

COMMISSIONER JOHNSTON: After 17 years.

MR. REYNOLDS: Yes.

COMMISSIONER JOHNSTON: So what do you improve? How much do you improve anything?

MR. REYNOLDS: Well, we are not dealing with Time and Reader's Digest alone. The threat on the horizon is the split-runs coming in from the United States.

COMMISSIONER JOHNSTON: Which would have a devastating effect on the Canadian advertising agencies?

MR. REYNOLDS: Which would be a very unfortunate thing for the publishing business in Canada.

COMMISSIONER JOHNSTON: Wouldn't it be bad for the advertising agencies?

MR. REYNOLDS: It would be bad for Canada.

COMMISSIONER JOHNSTON: I asked you a direct question: Would the effect of split-runs on Canadian advertising agencies be bad?

MR. REYNOLDS: The advertising agency is an integral part of the Canadian economy and...

COMMISSIONER JOHNSTON: You still haven't answered my question: Would it be bad for the advertising agency business? Never mind what the effect would be on the rest of the country?

MR. REYNOLDS: You see, Mr. Johnston, I know...

COMMISSIONER JOHNSTON: Answer Yes or No. Do you disagree that it would be bad or wouldn't be bad? If the split-runs would be bad for the agencies why don't you say so?

MR. REYNOLDS: I see what you want me to say, that if it would be bad then there would be no commission; and you are wrong...

COMMISSIONER JOHNSTON: I want you to answer my question. Would it be bad for the agencies? That is a plain question; and I don't know that it is any disgrace that you would lose money - not make so much money - if the split-run business went on. I am asking you a question from this Commission - from me - and I think it is a fair question: Would the split-run be bad for the advertising agency?

MR. REYNOLDS: May I ask in what way it might be bad?

COMMISSIONER JOHNSTON: I am suggesting to you that if the Canadian advertising goes largely into split-runs the Canadian adver-

tising agency would have less business. Is that a fair statement?

MR. REYNOLDS: No, it is not a fair statement, Mr. Johnston, because we have seen nothing demonstrated to establish that fact. If, on the other hand, it meant that the Canadian agencies would be deprived of commission, yes.

COMMISSIONER JOHNSTON: That is what I am trying to get at. You would be deprived of quite a bit of commission.

MR. REYNOLDS: But I am not predicating my case on that point because we have nothing to substantiate that as a possibility.

COMMISSIONER JOHNSTON: But it happens that I know of a company that is using split-runs to some extent now, and if there is any agency commission involved it goes to a United States agency; so that the Canadian agency looking after that company is not getting any commission.

MR. REYNOLDS: Then, Mr. Johnston, this being a valid case I bear it with great alarm.

COMMISSIONER JOHNSTON: And I should think you would.

Twenty-four of your members said the Canadian periodical publishers are entitled to some form of protection. They answered yes to that question. That is question number two; and yet your brief didn't make any reccomendation at

all for the protection of the Canadian periodical publishers...

I think I have gone far enough, Mr. Chairman.

COMMISSIONER BEAUBIEN: Mr. Reynolds, was your report circulated to your membership - that is, the Association of Canadian Advertisers and the Canadian Association... Was your report circulated to the membership?

MR. REYNOLDS: Yes, it was.

COMMISSIONER BEAUBIEN: It was?

MR. REYNOLDS: Yes.

COMMISSIONER BEAUBIEN: That is, both organisations?

MR. REYNOLDS: The two - that is correct.

COMMISSIONER BEAUBIEN: On page 2 you have a detailed organisation chart. You have left out newspapers. Is that accidental, or did you do that on purpose?

MR. REYNOLDS: No, it was deliberate; but it was not to avoid newspapers because in that case, Mr. Beaubien,- I am sorry...

COMMISSIONER BEAUBIEN: You have space buyers, trade and consumers.

MR. REYNOLDS: It would be in the "consumers."

COMMISSIONER BEAUBIEN: It would be part of "consumers"?

MR. REYNOLDS: "Consumers" here insofar as space is concerned, would be magazines, weekend publications and newspapers; and it is a debatable point between agencies whether or not it would include "farm." But quite possibly it would be "farm." In our case it would include "farm." Whereas "trade", on the other hand, involves the trade publications in heavy industry and retailing and in the medical fields and specialised fields.

COMMISSIONER BEAUBIEN: On page 7 you list 8 magazines - Canadian Reader's Digest, Chatelaine, etcetera. Now, could you tell us briefly how the readership audience would differ one from the other, or what would make Macleans Magazine possibly a little different from Canadian Homes or Liberty?

MR. REYNOLDS: I would like to ask the Chairman, Mr. Beaubien - we have with us today Mr. John McCuaig who is on the Media Committee of the Association and a media member of the Jack Lovatt Agency in Toronto. Is it your wish that you get Mr. McCuaig's opinion on this point?

THE CHAIRMAN: I think in view of the question asked he can answer it.

MR. REYNOLDS: Would you come forward, please, Mr. McCuaig.

THE CHAIRMAN: Will you identify yourself, please?

MR. McCUAIG: I am John McCuaig of Jack

Lovatt and Company Limited.

Mr. Chairman, Commissioners, we try to interpret the readership of the magazines in the agency business from the media standpoint through different studies that are conducted by reliable research organisations throughout Canada. The last combined study - this is a combined study and, everything being equal, all publications are taken into consideration - is one being conducted by C.C.P.R. - Canadian Consumers' Publications Research - who are doing the research. From these facts and figures we are able to determine the economic status of the readers; the number of readers per copy; the number of readers going to different groups of people, such as labour, school teachers and many other diversified points that we choose to put down as enlightening our media selection.

This goes on. We have completed two national studies, and in each individual publication yearly, or twice-yearly, or once in a while we conduct a study in which we get facts.

Now, this does not only hold true for magazines; the same is done for newspapers and trade papers on a different scale. But I think that should answer your question. It is from studies that have been conducted by independent research organisations.

COMMISSIONER BEAUBIEN: Mr. Reynolds, what is the purpose generally of the A.C.A.?

MR. REYNOLDS: The A.C.A. is the Association of Canadian Advertisers, and if I might ask Mr. Yeates to let me have a copy of the aims and objectives I would be pleased to read them to you, Mr. Beaubien.

I believe you used the word "generally." In the normal sense of trade the Association works for the benefit of the Association and its members collectively.

I will read the points in here. Here are the objectives of the Association:

> To promote the highest standard of advertising to the end that it becomes a more effective tool of business and management.
>
> To affiliate advertisers into a central body for the protection and promotion of their advertising and merchandising interests.
>
> To provide a means through which advertisers may assist each other, by an exchange of ideas, in the production of more effective work.
>
> To encourage the study and better understanding of advertising.
>
> To promote the development of the science of advertising and marketing.
>
> To help correct abuses in advertising that may arise.

To aid in the elimination of waste in distributing goods and services.

To promote the common interest and welfare of its members.

To promote good fellowship among advertising people.

COMMISSIONER JOHNSTON: Is it necessary to be a member of the Canadian Association of Agencies to practise your profession?

MR. REYNOLDS: No, it is not. What is necessary is that the agency be enfranchised. That is, the media body, such as the Canadian Daily Newspaper Publishers' Association grant an agency the right to normal commissions to an agency in return for the service it renders. There are very specific requirements that an agency must have before it can get a franchise from the media. It is possible for an agency to have a franchise from enfranchised body and not from another and still do business, as, for example, there are some agencies who have specialised entirely in radio. Maybe the proprietor who started the business was a highly qualified man in a specialised area of radio work. He would get a radio franchise; but his right to do business is not in any way tied in with the C.A.A., but his membership of C.A.A. is predicated on the extent to which he has a franchise.

THE CHAIRMAN: What is the principal requirement?

MR. REYNOLDS: The principal requirement? It varies somewhat between the different media bodies, but basically, Mr. Chairman, you must have three accounts nationally with a basic billing of $150,000, and for certain media in the newspaper field you must have $50,000 in liquid assets.

COMMISSIONER JOHNSTON: You must have reasonably good credit?

MR. REYNOLDS: Inasmuch as there is very substantial credit involved and, therefore, they require to be sufficiently secure.

THE CHAIRMAN: Mr. Reynolds, I am interested mainly in your recommendation on your final page. Maybe for the purpose of clarification I should read it: "We respectfully suggest the Commission explore the possibility of making it mandatory for Canadian publications accepting Canadian advertising to print their publications in Canada..."

Now, Reader's Digest prints and publishes in Canada and Time Magazine, as I understand it, have indicated their decision to print and publish in Canada, and between them they are taking 42% of Canadian advertising. Now, wouldn't your recommendation simply mean that not only would these two continue to take 42% - and this

was one of the problems we were asked to solve - this is one of the specific things we were asked to try to cure; wouldn't your recommendation simply leave the disease as it was and, more than that, wouldn't it invite other American publications such as, for example, Newsweek, to come and they too establish in Canada what would be called Canadian magazines? Wouldn't your recommendation, if accepted, really aggravate the position which exists at the present time?

MR. REYNOLDS: I assume, Mr. Chairman, you have raised this question because it has been a nagging problem in your mind, and I am very pleased that you did.

First of all, on the question of percentages, if I was listening correctly this morning I believe that Time and Readers Digest represented something in the neighbourhood of 20.9%...

THE CHAIRMAN: That was not the figure given us in the first place by the Periodical Press. It was 42% outside of weekend magazines.

MR. REYNOLDS: I see.

THE CHAIRMAN: But regardless of whether it is 42% or 38% would you not entrench - consolidate - the greivance that exists by this recommendation of yours and probably add to it if you encouraged, let us say,Newsweek, Argosy, True, or any other American publication that may

have had designs on the Canadian advertising field? Would this not be an invitation to them to come in?

MR. REYNOLDS: In our opinion it would not. I can answer you in two parts. First of all, dealing with the point that it might be an invitation to others - that is, any publication other than Time and Reader's Digest - I submit from my experience in the inquiries I have made, Mr. Chairman, that this would be a very strong deterrent to other publications coming in to Canada. It would be a deterrent to Saturday Evening Post, Life, Argosy, True and everything in between. You mention Newsweek specifically. In my judgment it would be a strong deterrent to them because the cost to print and publish in this country against the existing circulation that they have in this country would give them a very small base on which to establish; and, therefore, we believe, in our Association, that there would be virtually no further entry into this country unless they were subsidised in some way.

How could it be subsidized? We have thought a lot about this and the only way that we can picture the cost of production being subsidized is by native Canadian publishers advocating their position and doing their printing for them. Now, if you take the printing and the investment operation over a period of time whereby they would have long term contracts, that eventually would be of benefit.

Now, I admit, Mr. Chairman, that this is only the product of trying to rationalize the possibility of what would happen, and I think it is most unlikely, in my opinion, and this is the only way in which it could be done; to come in and underwrite the capital cost themselves, and trying to get a pay out in anything like five or seven years would be, in my opinion---

THE CHAIRMAN: Very well, sir; I will accept your opinion on that with the conditions you attach to it. The conditions you attach to it are a bit imponderable, but you do admit that your recommendation would entrench Time and Reader's Digest in Canada, and it would permit them to stay and permit them to possibly grow stronger?

MR. REYNOLDS: Yes. With respect, Mr. Chairman, I differentiate between "infringe" and "permit".

THE CHAIRMAN: Permit them to stay with the

possibility of becomming stronger.

MR. REYNOLDS: They can find their own initiative.

THE CHAIRMAN: Yes, they are pretty good.

MR. REYNOLDS: As far as Time and Reader's Digest are concerned, their use by advertisers in Canada is wide, and it is measured, too, by their efficiency. If there is a reason why they should not be permitted to stay here, because of inequitable competition or because of some factor in the wisdom of the Commission which you decide to put into your report, it then must be because of the depriving that those two publications will continue to do business in Canada and it is in the greater interest of the Canadian people at large.

THE CHAIRMAN: That is right.

MR. REYNOLDS: And we obviously accept it.

THE CHAIRMAN: That is the only condition upon which we would make such a recommendation. We are really not trying to find out what is good for the advertising agencies or even for some of the periodical press, and certainly we have no desire and no intention of doing anything that may build up a monopoly in Canada, and to be fair to the people who have come here, they have told us, "We don't want that". Our task is to do something for the Canadian experience, as somebody called it, or the Canadian spirit. We want to do something for the control of

our communications.

My suggestion to you, sir, is that your recommendation doesn't do anything for that. You permit -- at least, part of the problem we were asked to cure -- you permit them not only to remain, but to remain with the opportunity of becomming more powerful than they are, and this is my difficulty with your recommendation.

MR. REYNOLDS: I recognize the difficulty you experience, Mr. Chairman, but I must say this in all fairness; that it would have been a simple matter to take certain views from among our membership and express it as requiring the sanction as against Time and Reader's Digest, or invoking strict, inhibiting factors against the continuing publishing in Canada, but our purpose before this Commission is, first of all, as Canadians, and secondly, as an important part of the Canadian economy, representing an annual expenditure of a quarter of a million dollars, and we haven't submerged our Canadian interests in favour of our commercial interests at all.

MR. COMMISSIONER JOHNSTON: I am very glad to hear it.

MR. REYNOLDS: I am very pleased I made this point, and I have been quite fearful since our last appearance before this Commission -- you said yourself, sir, a short time ago that you have given a lot of thought to this matter, and partic-

ularly over the festive season, and I can tell you without reservation or equivocation of any kind that the substance of the transcript of December 12 has given us a very great deal to think about.

MR. COMMISSIONER JOHNSTON: Good.

MR. REYNOLDS: From the standpoint that a vital part is played -- and I am not taking ourselves too seriously -- but the vital part that is played in the growth and development of this dynamic economy in Canada should be misunderstood. The detractors of our business are manifold. People say that advertising is long-winded and garrulous; well, so is the House of Commons. They say that it talks a great deal and not enough people listen; unfortunately, so does the Church. They say it persuades people to live beyond their means, and so does matrimony, but frankly, it is the basic things that we go by.

THE CHAIRMAN: Mr. Reynolds---

MR. COMMISSIONER JOHNSTON: I am sorry, Mr. Chairman, I took the witness away from you.

THE CHAIRMAN: The Journal never seemed to get enough of it despite the agencies.

I think that is all, sir, and I thank you very much. I think you have clarified one or two things, although I still see the disagreement between you and Professor Galbraith and Commissioner Johnston but it would be very un-Irish of me if I kept Mr. Yates

from that blessed event, and despite what Mr. Reynolds has said about the misbehaviour and the bad conduct of this Royal Commission, I am sure we all wish you, sir, that it be very blessed and happy.

MR. YATES: Thank you.

MR. REYNOLDS: Thank you for the priviledge of appearing here. It has been a real challenge for us. We know that within the power of the Terms of Reference the problem that is facing this Commission is much more grave than has been the problem of many other Commissions in the past, and we wish for you and your fellow Commissioners every success in the diligent search you are making, and we hope that success will come to you.

THE CHAIRMAN: Mr. Yages, do you wish to make a statement yourself? Was there anything you wanted to say?

MR. YATES: I will just take one or two minutes.

THE CHAIRMAN: Go ahead, sir.

MR. YATES: I just wanted to make clear the position of our two associations with respect to our recommendations.

We did sit down at great length and discuss the whole problem, the whole of the problems being faced by the Periodical Press, and it was our belief that the best interests of the Periodical Press and the Canadian advertising business would be furthered if we could make a presentation which would, in effect,

prevent further encroachment by split run publications and by geographic publications being based in foreign countries and coming across the border or across the ocean.

The second thing was the point which Mr. Johnston questioned Mr. Reynolds on, and that was on what might happen to the advertising business if Reader's Digest and Time were no longer in existence. The point I wish to make quite clear here is that there could be no answer, we know, but it wouldn't be an easy transition; your divergence of the money that was once spent in these publications to other Canadian publications at that point, and there is also the new private television station, and your network television, all these would have to be considered, and I am sure that the general fabric, the advertising fabric of the Canadian periodical publishing business would be weakened and changed by such a thing.

MR. COMMISSIONER JOHNSTON: I just wanted to get to some of the questions and answers on the questionnaires. The questionnaires are not exactly the same but they are substantially the same, do you agree?

MR. YATES: Yes.

MR. COMMISSIONER JOHNSTON: This is from the ACA. It asks here whether you agaree with the allegation made to the government that because of competition from foreign periodicals at various points, the

publication of Canadian magazines has been prejudically effected, and we have twenty-seven people saying Yes and seventeen saying No, and there is a blank where it says "no answer". You have how many members, 163, is it, something of that nature?

MR. YATES: 162.

MR. COMMISSIONER JOHNSTON: 162.

MR. YATES: But only forty-four responded in answer to this question.

MR. COMMISSIONER JOHNSTON: Then, don't you think it was going pretty far to build a brief on the basis of less than one third of your membership?

MR. YATES: Well, really, the brief was not built entirely on the framework of the questionnaire. It was from our membership that it was built and it was approved by our Board of Directors as a representative opinion from the Association. There was a pretty clear divergence of opinion there, and of the twenty-seven which did reply "Yes", six said they didn't think any special protection was needed.

MR. COMMISSIONER JOHNSTON: Then it is asked do you think that Canadian periodicals are entitled to some form of protection, and twenty-one said "Yes" and six said "No". Now, with a total membership of 161, isn't that ridiculous?

MR. YATES: That was in response to the---

MR. COMMISSIONER JOHNSTON: Isn't it absurd

that you would come to this Commission with a brief representing such a minor proportion?

MR. YATES: I don't think so. This brief not only represents those responses, but the opinion of the Board of Directors of the Association of Canadian Advertisers.

THE CHAIRMAN: I think what Commissioner Johnston has in mind -- and this struck me at the time as very extraordinary, really -- you begin your submission, if I recall -- and it is a long time ago and God knows we have heard many words since -- it seems to me you began your submission by saying that you spoke for the advertising industry.

MR. YATES: That is right.

THE CHAIRMAN: And you say, "The two Associations uniting to make this submission speak in a very real sense for the advertising business in Canada." Now, on the basis of the figures just given by Mr. Johnston, this to me seems to be a rather curious statement, to say the least; wouldn't you agree?

MR. YATES: Well, in a sense, although really the statement is made because we represent in advertising the 151 members of our Association.

THE CHAIRMAN: You don't represent them according to that questionnaire.

MR. YATES: Frankly, I think one of the real reasons for the low response from our Associa-

tion was the difficulty in answering the questionnaire, but I feel that the response and the comments you have seen are most interesting and provocative.

THE CHAIRMAN: I think it would have been better if you had explained to us in the first place just what the response was, and then we would know just where we were at, but when you tell us that you speak in a real sense for the Canadian advertising industry, and we discover much later on you only speak for a very small fraction of the industry, this is a bit disconcerting with regard to your whole brief. If this statement is made as loosely as that, how much dependence can we place on the remainder of the brief?

MR. YATES: I am sorry, we didn't mean to convey that we were, through the questionnaire, only representing the Association; it is through the acstions of our Board of Directors who stand for election each year. The questionnaire was put out only to get information that might bear on the thoughts of the Committee, who all worked on this brief.

MR. COMMISSIONER JOHNSTON: Was your Board of Directors represented?

MR. YATES: Yes.

MR. COMMISSIONER JOHNSTON: Can you give me their names?

MR. YATES: Yes, I can. Would you care to have me read them?

MR. COMMISSIONER JOHNSTON: I certainly would.

MR. YATES: Myself -- this is the entire Board, not all of whom are present -- Mr. K.J. Farthing, Executive Vice-President; Mr. R.B. Collett, Advertising Director, Lever Brothers Limited and Vice-President and Treasurer of the Association. The Directors are Mr. J.W. Cook, Advertising Supervisor of The Shawinigan Water and Power Company; Mr. W.T. McFarlane, Division Manager, Advertising, Canadian Pacific Railway Company; Mr. P.J. McGinnis, General Advertising Manager, The Bell Telephone Company of Canada; Mr. A.F.M. Biggs, Advertising & Public Relations Manager, Canadian Industries Limited; Mr. E.T. Gater, Vice-President, Sterling Drug Mfg. Ltd.; Mr. A.G. Mackie, Public Relations Manager, Provincial Paper Limited; Mr. D.M. Mackinnon, Advertising Manager, General Motors Products of Canada Limited; Mr. J.J. McGill, Advertising Manager, Imperial Tobacco Co. of Canada; Mr. G.A. Meen, Advertising Manager, Christie-Brown & Company, Limited.

MR. REYNOLDS: This was approved at a Board of Directors meeting at which some of these gentlemen were not present.

THE CHAIRMAN: Thank you, sir.

MR. YATES: I am reading the full Board of Directors, and there was a quorum of directors present and a good cross sample. There was Mr. George A. Meen, Advertising Manager, Christie, Brown & Company, Limited;

Mr. R.E. Oliver, Supervisor, Public Relations & Advertising, The Bank of Nova Scotia; Mr. J.H.C. Penaligon, Director of Advertising, O'Keefe Brewing Company Limited; Mr. Roger Neron, Robin Hood Flour Mills Limited; Mr. Robert M. Sabloff, Advertising Manager, The House of Seagram Limited; Mr. W. W. Vanderburgh, Advertising Manager, Coca-Cola Limited, and that is the entire Board of Directors.

MR. COMMISSIONER JOHNSTON: Can you tell us who were at this meeting when this brief was finally approved?

MR. YATES: I will try my best. Do you have the minutes of the meeting? I think I can name them off. There was Mr. Yates, Mr. Collett---

MR. COMMISSIONER JOHNSTON: Name the company.

MR. YATES: Mr. Yates of the Prudential Insurance Company of America; Mr. Collett of Lever Brothers; Mr. Cook of the Shawinigan Water & Power Company; Mr. Biggs of C.I.L.; Mr.Mackinnon of General Motors Products of Canada; Mr. McGill of Imperial Tobacco Company of Canada; Mr. Meen of Christie Brown & Company, Limited; Mr. Penaligon of the O'Keefe Brewing Company Limited and Mr. Vanderburgh of Coca-Cola Limited.

MR. COMMISSIONER JOHNSTON: Those were the people present?

MR. YATES: That is right.

MR. COMMISSIONER JOHNSTON: Now, would it

be possible without your Minute Book to tell me who was absent?

MR. YATES: All the others I named were absent.

MR. COMMISSIONER JOHNSTON: I know.

MR. YATES: I would be glad to. There was Mr. K.J. Farthing, who was ill, of Canadian Westinghouse Company Limited; Mr. W.T. McFarlane of the Canadian Pacific Railway Company; Mr. McGinnis of The Bell Telephone Company of Canada; Mr. Gater of Sterling Drug Mfg. Ltd.; Mr. Mackie of Provincial Paper Limited; Mr. Oliver of the Bank of Nova Scotia -- he is here with us today -- Mr. Neron of Robin Hood Flour Mills Limited and Mr. Sabloff of The House of Seagram Limited.

MR. COMMISSIONER JOHNSTON: You had eight absentees who are from important companies.

Now, I did a little research over the holidays, too, and I couldn't find anybody who had seen your questionnaire.

MR. YATES: Every member of our Association received it.

MR. COMMISSIONER JOHNSTON: Every member did?

MR. YATES: Every accredited member did.

MR. COMMISSIONER JOHNSTON: That is very interesting. Apparently some people didn't think it very important.

MR. YATES: Perhaps not.

MR. COMMISSIONER JOHNSTON: Well, one of the things that puzzles me as a Canadian is that I notice you identify yourself as from the main head office.

MR. YATES: The Canadian head office.

MR. COMMISSIONER JOHNSTON: It should have been "Canadian"?

MR. YATES: It was a mistake in the transcript; it was the Canadian head office.

THE CHAIRMAN: Thank you.

MR. COMMISSIONER JOHNSTON: And good luck.

MR. YATES: Thank you very much; I think we might need it.

THE CHAIRMAN: Gentlemen, we will have a short recess now.

---A short recess.

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THE CHAIRMAN: Mr. Chalmers.

COMMISSIONER JOHNSTON: Mr. Chalmers, I have been trying to put off the day I would question you again, but my fellow Commissioners decline the honour of leading off.

I suppose the question that is running around in a lot of minds in this Commission and outside is what is going to happen if we did dispose of the foreign publications insofar as they were accepting Canadian advertising. Would the situation become rather severely monopolistic with the powerful Maclean-Hunter Publishing Company left alone in the field?

MR. CHALMERS: Well, I express the hope - I expressed it in our original brief and I express the hope in our resubmission that, given a climate of some more salubrious background for the establishment of new publications and for the development of existing publications in this country, many new and talented new Canadians, eager to go into the field, would enter the field with a fair chance of survival. I think that is what happens.

COMMISSIONER JOHNSTON: Of course, you know the reputation of your company as a very vigorous - I was going to say ruthless, but I think that is too strong a word - a very vigorous competitive situation, the company is bringing about a very vigorous competitive situation, and I am

wondering, and I have been ever since we started this Commission, whether a newcomer would find the going a bit too tough in competition with your great company.

MR. CHALMERS: Well, in certain fields some newcomers have entered the area of competition, not without success. I recall Joe Wallace, who was in the Circulation Department of our magazines, coming to me and saying he was going to go into the business paper field. I have forgotten just when this was. He asked my advice, and I gave him some encouragement; I didn't invest any money in his enterprise. Mr. Wallaceentered this field, and I think he has managed to meet the very vigorous competition of the Maclean-Hunter Publishing Company, and I am happy to say that the Maclean-Hunter Publishing Company has survived despite the very vigorous competition from Mr. Wallace, and I think his entry into this field has been for the good of the business paper industry in Canada. I think if we had a good few more Joe Wallaces in this field it would be good for Canada. He has now 13 publications, I believe.

COMMISSIONER JOHNSTON: Are there any that compete directly with you?

MR. CHALMERS: Oh, yes, most certainly.

COMMISSIONER JOHNSTON: I notice you make various suggestions for fields which are not

fully occupied now, as the Minister of Finance said he took the last of our taxes. Wit and Humour, would that be designed to compete with Time?

MR. CHALMERS: Oh, it would be designed to compete with perhaps the New Yorker and Punch and perhaps some papers that don't quite measure up to the intellectual standards of the New Yorker and Punch.

COMMISSIONER JOHNSTON: You have a dominating position in the magazine publishing field now, haven't you?

MR. CHALMERS: No, we do not.

COMMISSIONER JOHNSTON: Have the invaders --

MR. CHALMERS: Perhaps we might define our terms. What do you mean by the term "dominating"?

COMMISSIONER JOHNSTON: Well, there is no other general circulation magazine as Maclean's Magazine.

MR. CHALMERS: Liberty has something like 30,000 more circulation than Maclean's has.

COMMISSIONER JOHNSTON: Is that a direct competitor with Maclean's?

MR. CHALMERS: Yes.

COMMISSIONER JOHNSTON: You wouldn't think they were dominant in their field?

MR. CHALMERS: I don't think that Liberty dominates the field. I have given you our

position with respect to advertising volume which is placed in Canadian magazines.

COMMISSIONER JOHNSTON: In the women's field, doesn't Chatelaine dominate in that field?

MR. CHALMERS: Yes, in the women's field, in English.

COMMISSIONER JOHNSTON: I wonder if you could tell us why you went into the French language field. I don't know whether you covered it in your original brief or not.

MR. CHALMERS: I have already gone into it in my original brief at some considerable length. I could, if you like, summarise that or I can tell you the story again in new words. We are a Canadian publishing house, publishing Canadian magazines, and Canada is a bi-lingual, bi-cultural country. If you seek to serve this country on a national basis it is necessary to serve both of the cultures and both of the languages and to serve them in both of the languages. That is the story briefly. Perhaps more personally, I was myself annoyed every time I picked up an advertisement of Reader's Digest which said it was the only national magazine in Canada in both languages. Every time I saw that I was personally determined that that situation would end, that there would be a Canadian publication which would serve in both languages.

COMMISSIONER JOHNSTON: It wasn't the ghost of Colonel Maclean looking over your shoulder?

MR. CHALMERS: I don't remember ever discussing the subject of publishing in French with Colonel Maclean.

COMMISSIONER JOHNSTON: One of the great questions which goes round - I don't think it has anything directly to do with this Commission, although it may have - Macleans Magazine you have shown, and I think our audited figures undoubtedly confirm what you have told us, is a money-loser, and yet your company seems to be prosperous, very prosperous. It had $4,000,000 to put into T.V., so the newspapers said, and I always believe them. Where did it come from?

MR. CHALMERS: In the oral statement that I presented to the Commission at the end of November, I believe there are some specific figures which show the exact - yes, I showed, for example, that in the 10 years to December 31st, 1960, with figures for the last two months for 1960 necessarily estimated, the company's total turnover had been roughly divided 50-50 between magazines and, on the other hand, business papers, the Financial Post, the Canadian Press Clippings Service, and so on, that the revenue in that 10-year period from our magazines was $75,000,000, that the revenue from other sources was $77,000,000. That is the source of my statement that it was roughly 50-50. In the same 10-year period we lost on our magazines $660,000, and that is earned before taxes, and on all other operations

$12,000,000. I think that answers your question. That is where the money came from.

COMMISSIONER JOHNSTON: From the other publications?

MR. CHALMERS: From the other publications, from commercial printing and from the number of smaller activities which are profitable; Canadian Press Clippings Service, for example. I think I went on to say that the dividend on the common shares of our company is at the rate of $40,000 a year. This means that over a quite considerable period money that has been earned on these activities has been poured back into the company and stands there today represented by bricks and mortar and steel and glass and machinery and equipment.

COMMISSIONER JOHNSTON: I assume that there are bonds outstanding?

MR. CHALMERS: No bonds outstanding.

COMMISSIONER JOHNSTON: No real estate liabilities?

MR. CHALMERS: No real estate liabilities. There is an issue of preferred stock, $347,000 of preferred stock outstanding.

COMMISSIONER JOHNSTON: At the beginning of your first presentation there was something said about the ownership of the company. It might have given the impression that it was an employee-owned company. It is not that.

MR. CHALMERS: It is not an employee-owned company?

COMMISSIONER JOHNSTON: Yes, in the sense that the general run of employees have an opportunity to own stock.

MR. CHALMERS: I think I made this statement, that all stock in this company with the exception one-tenth of one per cent, 99.9 of the stock in Maclean-Hunter, is owned either by employees or by former employees or by the estates of the employees.

COMMISSIONER JOHNSTON: But what I am getting at is that it isn't the general ownership of the company by the employees. How many shareholders have you? - 50?

MR. CHALMERS: It is approximately 50. It is over 45 and under 50.

COMMISSIONER JOHNSTON: How many employees would you have, approximately?

MR. CHALMERS: 1800.

COMMISSIONER JOHNSTON: So there is no general distribution of shares among the employees.

MR. CHALMERS: No.

COMMISSIONER JOHNSTON: It is the senior employees.

MR. CHALMERS: Yes. We never were able to get any shares. We try to see to it that it is made available first to the directors; they all own stock in the company. Then to the group managers, to the managers of the magazines, to the advertising managers, the editors, people involved

in the circulation, people involved in the business activities, the internal auditor, the chief accountant, and people of that type.

THE CHAIRMAN: What do you carry on your books the value of your building on University Avenue and your printing plant?

MR. CHALMERS: This is, of course, subject to audit, but it is correct. At the end of November buildings and equipment less depreciation stood at $7,410,327, and land stood at $601,968.

THE CHAIRMAN: Roughly $14,000,000.

MR. CHALMERS: No, roughly $8,000,000. The first figure was $7,000,000-four.

COMMISSIONER JOHNSTON: After depreciation of your plant and equipment?

MR. CHALMERS: Yes. The accumulated depreciation amounts to $8,009,205.

COMMISSIONER JOHNSTON: Would you say that accumulated depreciation plus the investment as shown on the books would be about equal to the replacement value, more or less?

MR. CHALMERS: Oh, if both those buildings were totally destroyed and their contents and we set out to replace them at present-day costs, I should think that it would cost us at least the total sum of about $15,000,000.

COMMISSIONER JOHNSTON: So it would be quite difficult for someone else to go into business and try to arrive at your position in 30

or 40 years, for someone with a modest amount of capital to go into your field and duplicate the situation in 30 or 40 years.

MR. CHALMERS: I don't think it is necessary for anyone to go into the magazine or periodical publishing field in this country and aim at the duplication of these figures in 30 years in order to achieve a very happy and rewarding way of life and a satisfactory standard of living.

COMMISSIONER JOHNSTON: Two of your competitors in the magazine field, if you call them competitors, Saturday Night and Liberty, hire their printing. Do you think it would be feasible for someone with some knowledge of the publishing business to start now and use those commercial business establishments and make profits?

MR. CHALMERS: That is the trend on this continent. The vast majority, at least, of publications, and I would think the majority of total publications on this continent, are printed by commercial printers. This is true of Time Incorporated, this is true of McGraw-Hill, who are the largest operators in the business paper field. It is true of most of the business papers. I was trying to remember. The only two that I can remember, United States magazines, which operate their own printing plant, the two major ones are McCall's Corporation and Curtis. The purport of your question is can a man start off in business, have his

printing of his magazine or periodical contracted out with any chance of success. I would say that this is the only basis on which he is likely to start off, unless he is a printer with a printing plant and wants to go into that business. Mr. Wallace didn't own his own printing plant. He does now, but he didn't start that way.

THE CHAIRMAN: Mr. Chalmers, this $15,000,000 property that you speak of, buildings, plant, equipment, with about $350,000 of preferred shares, I think you said.

MR. CHALMERS: Yes.

THE CHAIRMAN: You say this has been built up over the past 30 years.

MR. CHALMERS: No, I would say over 60, 70 years.

THE CHAIRMAN: How much of that total was built up in the last 20 years? How much did you have in 1945 of that, in rough figures? Was this a recent accumulation or was it actually built up painfully over the years, or was there a great acceleration in the last 15 years since Reader's Digest and Time, for example, came to Canada?

MR. CHALMERS: I am trying to find out a figure here that might be helpful. What you want to know, Mr. Chairman, is how much have we accumulated in the last 20 years?

THE CHAIRMAN: Yes, or since this new American competition came your way.

MR. CHALMERS: I would think that a substantial portion of it has been accumulated. It will be obvious to you that it has not been accumulated out of profits of magazine publishing.

THE CHAIRMAN: But Maclean-Hunter did accumulate a substantial portion in the last 15 years?

MR. CHALMERS: Yes.

COMMISSIONER JOHNSTON: How did the excess profits tax affect it? Were you able to grow?

MR. CHALMERS: The excess profits period came when it was very difficult for anybody, had they so desired, to have invested money in new enterprises or even to have incurred losses for the purpose of establishing these new enterprises, because there was a shortage of professional technical skills. So many of the young people who might have started new enterprises were overseas; there was a wartime prices and trade board which licensed the establishment of new publications and refused new publications to be established in this country, and there was a wartime prices and trade board under Mr. A.P. Dewart who rationed the paper and gave people only a quantity of paper based on their previous year's use. No paper for a new publication was sold. The effect of the tax - 80 per cent it got to, I believe - the effect was to deprive the person who owned it of those profits, if they existed, not to enable him to reinvest it.

COMMISSIONER JOHNSTON: Now, in Trans-Canada News you rather intimate you would get a better deal with the newsstand proprietors and wholesalers by going through this Curtis distribution system. We have been unable to find any evidence that anybody is able to push their particular kind of magazines - ones they favour at the expense of other magazines. We have tried in various places and it hasn't come through.

MR.CHALMERS: Well, I think that what I intended to convey by that statement this morning was simply this, that obviously if you have 25 field men - salesmen - anywhere - out in the field - calling not only on the wholesalers but the major distributors and holding routemen's contests to encourage a certain publication to be pushed, going around checking up to make sure that the printed promotional material, the little tent cards which stand on the magazines, the posters that are on the wall, and things of that character, and making sure that those are actually displayed - if you have 25 people going around doing that you are obviously going to achieve better results than if you have only got 5 or 6.

COMMISSIONER JOHNSTON: Has your newsstand circulation grown since you switched to Curtis?

MR. CHALMERS: As I said this morning, in some publications it is higher and in some it is lower. It is a little lower on Canadian Homes, but

this may be due to the changed character of the magazine and the fact that we have intensified the appeal towards the upper income group. The Financial Post is a little lower; the Financial Post's newsstand circulation always falls off somewhat at a time of inactivity in the markets and on a recession in business. I think that Chatelaine has continued to grow. For example, Maclean's...

THE CHAIRMAN: Could this happen? You say this is unfair to the smaller magazines. If I were the publisher of a small magazine and I had arranged with the newsstand at the Chateau Laurier to sell my magazine there, could it happen that these people who, you say, have much influence on displays at the newsstands - would their influence go so far as to go there and say: "Put O'Leary's at the back and put mine in front"? Because, if so, this seems to me to be a gross interference with my rights.

MR. CHALMERS: I don't think I said that...

THE CHAIRMAN: You didn't say it; but could that happen?

MR. CHALMERS: I was merely attempting to state what the procedures are and I thought that I had assiduously avoided commenting on the fairness or otherwise of this particular activity.

The first point I would make is that I doubt if you, as an individual publisher, would be

able to get your magazine on the newsstand unless it were a very local, Ottawa thing, or of considerable interest to people in Ottawa, not of national interest. You would be too busy getting out your publication to be able to go to the Chateau Laurier and the Queen Elizabeth in Montreal and the Fort Garry and 5,000 other newsstands.

THE CHAIRMAN: Let us take the case of the Canadian National Geographic. They have great trouble with their publication. They were before us last week. Suppose they arranged with the Chateau - that could be quite possible, because they have influential people behind them - suppose they went down there and said: "We would like you to display our magazine on your newsstand" Would they agree? And if they did agree would the Curtis people come in two days later and say: "Get those things out of here"? Could this happen under this system?

MR. CHALMERS: The Chateau Laurier would have the right to say not only what they will offer for sale but where they will place it.

In actual fact, the space in the average stand in the country, in drugstores, in shoeshine parlours and in bookstores and so on - the arrangement of the magazines is not left entirely to the routeman - the man who delivers the publications for the wholesalers - and not entirely to the field men for the distribution companies, but they

exert a considerable influence and their advice is, to a considerable extent, taken by the retail operators.

As a matter of fact, if you lift up a pile of magazines on any important newsstand you will find under it the name of the publication. In other words, these stands are taped; there is a tape there with their name - the actual name of the publication that goes in that position; and one of the functions of the wholesalers' routeman and of the field man for Curtis is to see that these magazines are not moved. This is not entirely disadvantageous even to Canadian publications, because one of the purposes of taping them is to group them. It is, perhaps, desirable that Good Housekeeping, Ladies' Home Journal, McCall's and Chatelaine should be side by side rather than having Popular Science, Chatelaine, Dogdom, Sports Illustrated and then Good Housekeeping, for example. But in general the placing of these magazines is effectively - I don't like to say "controlled" - influenced by these two groups - the wholesaler man and the national distributor and his field men.

THE CHAIRMAN: But how would all this affect the young man we have been talking about - the young group who, perhaps with some financial backing, has started a new magazine? Wouldn't this hurt them? Wouldn't this be an added handicap to them?

MR. CHALMERS: Not if the proposal I put forward here were accepted, when I suggest that it would be advantageous, and I would hope to see developed out of all this a news organisation controlled by Canadian publishers and controlling sufficient annual turnover to have some influence - some very substantial influence - on the wholesalers and on the retail news dealers so that they would be in a position to put the emphasis upon the Canadian publication.

THE CHAIRMAN: It does seem a little hard to take, that an organisation from an external country should come in here and take a Canadian magazine off the newsstand, or move it on the newsstand and place one of their own magazines in its place. This seems to me just a bit distasteful on the surface. Doesn't it to you?

MR. CHALMERS: Well, yes, it does; and I think that if I were a young fellow trying to start a magazine I would have difficult in getting it on the newsstand unless it were something that had very local appeal in a certain area. Maybe if I got out a hot-rod magazine for these young kids that race motorcars and there were one area in Toronto where all the hot-rod enthusiasts were congregated, I don't think I would have difficulty getting my hot-rod magazine on the newsstands in the area. But that is an extreme example.

Generally I am of the opinion it would be difficult; there is not much space on these stands.

THE CHAIRMAN: Have you any questions, Mr. Beaubien?

COMMISSIONER JOHNSTON: Mr. Chairman, I would like to discuss with Mr. Chalmers the matter of the advertising agencies, a subject dear to my heart, and I am wondering if he is going to be here tomorrow because I note that it is 4.30.

MR. CHALMERS: I will be here.

COMMISSIONER JOHNSTON: All right. I will think up some questions overnight.

THE CHAIRMAN: Thank you very much for your kindness in coming back.

We will adjourn until 10.30 tomorrow morning.

--- Adjournment.

SUBMISSION OF THE CANADIAN
MANUFACTURERS' ASSOCIATION

The Canadian Manufacturers' Association is most appreciative of this opportunity to present to the Royal Commission on Publications its views on certain aspects of Canadian periodical publishing.

As the Royal Commission is holding hearings at which the views of Canadian publishers, singly or in groups, have been and will be presented, the Association is confining its representations to the broader aspects of the question.

The Canadian Manufacturers' Association is a non-profit, non-political organization of manufacturers in every line of industry from Newfoundland to British Columbia, who arejoined together to consider and take action on their common problems. The Association has 6,500 members who produce about 75% of Canada's total manufacturing output and are located in over 600 cities, towns and villages from the Atlantic to the Pacific.

When the Association was founded, in December 1871, the Dominion of Canada was slightly more than four years old, so that the two may be said to have grown up together. In 1871, Canada was little more than a source of raw materials for the plants and mills of its already mighty neighbour, the United States of America, and for those of the United Kingdom and Europe. The founders of The Canadian Manufacturers' Association worked towards what must then have seemed a visionary

goal - Canada's emergence as a strong, competitive manufacturing nation. In pursuing that goal over the years, the Association has always identified its own interests with those of Canada as a whole; whatever was good for Canada must necessarily be good for the manufacturing community. Manufacturers are first of all citizens; their Association has striven at all times to lend its support to such influences as tended to build a strong, united Canada - united spiritually as well as geographically.

Because manufacturing was then almost wholly concentrated in the central provinces, the Association in its early years was regional in character. It is significant that when it was reorganized on a national basis in 1900, The Canadian Manufacturers' Association began to publish a monthly journal. In so doing, it acknowledged an influence which is further attested by the establishment of this Royal Commission: namely, the influence of the periodical press in molding public opinion, establishing patterns of thought and behaviour, setting cultural standards, and disseminating information about this country and its people.

The first issue of "Industrial Canada" announced that the magazine would make the advancement of Canada's manufacturing industry its special mission. Since 1900 there has been no lapse in publication, and the Association has continued

to regard it as an indispensable aid in promoting the interests of Canadian manufacturers and their employees. At all times it has been a distinctively Canadian publication, and its editorial content is a reliable index to the themes which The Canadian Manufacturers' Association has supported. These are themes which, in the main, are no less actively supported by the business press of Canada as a whole, and which can only be presented effectively and acceptably by magazines which are published by Canadians for Canadians.

For almost 60 years the Association has carried on a continuing programme of encouraging Canadians to buy Canadian products and services, and in so doing to secure fuller employment for themselves and increased prosperity for the country as a whole. To put this programme fairly before the Canadian people, the Canadian periodical press, along with other Canadian communications media, has played an important role which could not and would not be duplicated by foreign-owned, foreign-edited, and foreign-oriented publications.

Given distinctively Canadian products, Canadian manufacturers must be able to advertise them effectively to the Canadian buying public. In this regard, the Canadian periodical press performs a further vital function in making its advertising pages available to manufacturers of Canadian products.

There is no doubt that the influx of foreign publications - notably magazines and periodicals published in the United States - with their advertising of foreign-made products, has had and will continue to have a profound effect on Canadian buying habits. It is essential, therefore, that there should exist a strong and healthy Canadian press to place before Canadian readers, at reasonable cost, the value and quality of Canadian products.

In presenting the "Buy Canadian" programme, the Association has emphasized that freedom of choice is every Canadian's birthright. It has never urged that Canadian manufactured products be purchased purely and simply because they are manufactured in Canada. But when his choice lies between a product of domestic manufacture and a similar imported product, it is the Association's contention that the consumer's best buy, provided the over-riding considerations of quality and price are comparable, is always to buy Canadian.

If there were no Canadian manufactured products that could compare in price or quality with imported products, freedom of choice would be much restricted: no choice would exist except among the products of different foreign countries. Fortunately, Canadian manufactured products can and do compete for consumer purchasing power; if this were not so, "Buy Canadian" would have no meaning.

Freedom of choice obviously extends also to the Canadians' purchases of periodical publications, and of advertising space in such publications. But full freedom of this kind of choice depends on the existence of a vigorous and varied Canadian periodical press. If this should disappear, or become weakened to the point of insignificance, the Canadians' freedom of choice would be immeasurably weakened: it could only be exercised among competing foreign publications. Such a situation would be a lamentable commentary on the Canadianism of Canadians. To permit the native periodical press to languish and possibly diaappear would be no less than a weakening of Canadian nationality.

The strengthening of the sense of Canadian nationality has been a major preoccupation of Canadian governments since Confederation. It has equally been a concern of The Canadian Manufacturers' Association. It is a commonplace that our proximity to the United States of America, possessor of the world's most dynamic economy, subjects us to powerful pressure of an economic, political, social and cultural nature. Canada and the United States are friendly neighbours, with more in common than any other two nations in the world. But we in Canada have chosen to maintain a separate identify, in the firm conviction that we have a distinctive contribution to make to the future of mankind. We are the heirs

of two great cultures, and are creatively engaged in blending them into a unique whole. This great experiment is still going on, and nothing should weaken our determination to carry it through. Yet there are disturbing signs that many of the younger generation are both ill-informed and half-hearted about things Canadian. The national life is greatly in need of a strong injection of pro-Canadian fervour.

In answering this need, perhaps the greatest contribution can be made by a strong Candian press, owned and operated by Canadians, disseminating information needed by Canadians in all walks of life, expressing national thoughts and opinions, and presenting a platform for the discussion and critical analysis of peculiarly Canadian problems. The periodical press is a powerful and necessary medium of communication in a country as widespread and as vulnerable to outside influence as Canada.

Certain of these outside influences are of particular concern to Canada's manufacturing industry. One such is that which tends to make Canadian manufacturers conform to American product design. There is a large circulation of American magazines carrying advertisements of American products, Canadian television viewers are also constantly exposed to them, and there is a further powerful influence stemming from the close corporate association of many Canadian and American firms, and the ready availability to such

Canadian firms not only of American designs, but of tools, stampings, and other components.

On the other hand, there are peculiarly Candian conditions that mitigate against conformity. Among these are the strength and vigour of Canadian industry, certain code specifications for many Canadian products which are more stringent than in other countries, and above all, the fact that Canada is a separate nation with its own culture and tastes.

Believing that better design in Canadian manufactured products is important in meeting the competition of foreign-made goods in Canada and export markets, The Canadian Manufacturers' Association has for many years advocated the development, where possible, of distinctively Canadian-designed products. It supported, in 1948, the formation of the National Industrial Design Council, and has since co-operated in the Council's programme of promoting Canadian design. The Association's magazine, "Industrial Canada", is currently co-operating with the Council in publishing a series of articles urging the necessity of, and pointing the way to, better design of Canadian manufactured products.

It is far from being alone in its advocacy of better industrial design. The Canadian periodical press as a whole has done much in the past, and, we feel sure, will continue to do much in the future, to encourage a more imaginative approach to product

design among Canadian manufacturers. It is plainly not conceivable that any foreign publication would go out of its way to further such a cause. The achievement of excellence in Canadian product design, recognized throughout the world and immediately identifiable as Canadian, will be one more victory for the larger Canadian identity, so necessary to our survival as a separate nation. This is the kind of victory which the Canadian periodicals press is superbly equipped to win, and which no foreign publication would possibly work for.

The Canadian periodical press is in its own right an important Canadian industry, directly employing thousands of Canadians, and indirectly employing thousands more through its purchases of paper, ink, engravings, articles and illustrations. Important as it is in terms of Canadian employment, and in its contribution to the general prosperity, it has an inestimably greater importance in its role as a prime means of communication, one which can represent Canadian opinion, deal with Canadian problems, and promote Canadian culture in all its aspects. No foreign publisher, however friendly or helpful has the right or the ability to fulfill this function.

If it is desirable that Canada maintain its political and economic independence, then it is also desirable, and in fact essential, that it retain control of its culture and its avenues of communication.

Once again, The Canadian Manufacturers' Association is appreciative of this opportunity of presenting its views on this difficult problem.

SUBMISSION OF G.E. BEATTY, PRESIDENT
AND GENERAL MANAGER, BEATTY BROS.
LIMITED, FERGUS, ONTARIO

THE IMPORTANCE OF CANADIAN MAGAZINES TO THE SOCIAL, ECONOMIC AND POLITICAL HEALTH OF CANADA

The quality of Canadian consumer magazines is comparable with American service magazine imports and of far greater interest and value to the Canadian consumer reader. Most are performing well the important function of informing and educating Canadian readers on the finer aspects of our nation and our way of life. This medium of building respect for Canada and national price in Canadians contributes to the social, economic and political health of the nation.

THE IMPORTANCE OF CANADIAN MAGAZINES TO THE MARKET STABILITY AND EMPLOYMENT OF CANADA.

Total circulation of American consumer magazines in Canada, as released by the Audit Bureau of Circulation, June 1959, was 3,443,382 compared to Audit Bureau of Circulation total of 3,521,315 for Canadian magazines. Of the 30 American magazines, 13 are directly competitive to 7 of the Canadian magazines which are practical horizontal media for appliance advertising. These 13 American publications have a Canadian circulation of 1,955,933 as compared to the Canadian 7 of 2,957,355. It can be concluded that for every dollar a Canadian appliance manufacturer spends in Canadian magazines, he is facing potential competition of 66¢ American overflow advertising supporting American operations in Canada. This creates unfair competition. As a native Canadian Appliance manufacturer we must not only attempt to equal Canadian expenditures of competitors but must

spend 66% more to equalize competition from American overflow. The result is that Canadian companies can not and do not meet this competitive advertising successfully which places Canadian companies at a disadvantage in the Canadian market place. In 1959, 7 out of 10 washing machine manufacturers showing market increase over 1949 were Canadian affiliates of American name brand companies supported by considerable American advertising in American publications. This unfair advertising competition results in reduced sale of products by native Canadian companies and increased sale of imported appliances, which, in turn affects national employment and growth of our nation.

SUBMISSION BY T. JOSEPH SCANLON

The Privy Council minute which established your commission directed you to determine "the present position and prospects for Canadian magazines and other periodicals" and to

> make recommendations to the Government as to possible measures which ...would contribute to the further development of a Canadian identity through a genuinely Canadian periodical press.

I suspect that you and most of those who have made submissions to you will have interpreted your instructions as referring to the private periodical press. I would like to submit that you should also turn your attention to another area of the Canadian periodical press---the publications of the Government of Canada.

I am not suggesting the need for an investigation of the government periodicals as such. I am suggesting that the many periodicals published by the federal government form a very important part of our Canadian periodical press. In many areas in Canada, we have chosen to combine public and private enterprise in a fashion that has come to be known as purely Canadian. In broadcasting and transportation the CBC, the CNR and TCA have become just as much a part of Canadian life as the private stations, the CPR or CPA. The same, I would like to suggest, is true in the field of periodicals.

I do not have any detailed figures to support my submission; but perhaps I should at least outline a few examples. The Department of National Defence publishes no less than three

periodicals all with large circulations. The "Crowsnest," the "Roundel," and the "Canadian Army Journal" have circulations respectively of 11,000 monthly, 20,400 quarterly, and 19,000 for 10 issues a year. The department of External Affairs bulletin claims a total annual circulation of 40,920 a year and Fisheries' "Trade News" 3,450 a month. I suspect your inquiry will reveal many privately-sustained publications with far lower clientele.

Although I can not swear that my figures are correct, I can state that the estimated cost figures for 1960-61 for these publications were: Crowsnest $22,000; Canadian Army Journal $38,000; Roundel $40,000; External Affairs Bulletin $28,000; and Trade News $5,000. Government policy is to recover so far as possible the total cost of a publication; but in government it is often difficult to estimate costs. These figures are probably well below the cost of privately published periodicals.

The estimates of the federal government show that in 1958-59 government departments and agencies spent $7,952,366 on publication of departmental reports and other material. The figure for 1959-60 was $8,788,758.[1] In one department alone, National Defence, over $2,000,000 was budgeted for publishing in both these years. I am not suggesting for a moment that all or even a large proportion of this money was spent on periodicals but I am

suggesting that the federal government is in the publishing business in a very large way.

In addition, in the past decade the federal government has become extremely sales conscious. The business of selling publications was gradually centralized and by a Treasury Board minute passed March 31, 1955 (T.B. 477983 Regulations Section C) the Queen's Printer was charged with "the general responsibility for the sale of all government publications" except maps and charts. The commission chairman's own newspaper noted the importance of this fact on June 3, 1958 (Eileen Turcotte "Blue Books Keep Bureau in Black" The Ottawa Journal):

> Few people realize it but the government of Canada is in the best seller business.
>
> Over at the sprawling Printing Bureau in Hull, they're busily putting out some 5,000 amazingly assorted titles a year.
>
> Some of them hit sales that would make Canadian commercial publishing firms livid green with envy.

I suspect that many of these firms who are "livid green with envy" to use Miss Turcott's phrase are the firms that are appearing before you.

The actual sales revenue figures from 1950 to 1960 reveal how quickly this has come about: in 1950-51 total sales revenue was $295,190.40; in 1959-60 it had reached $1,156,506.81. Much of this revenue of course has been the result of the amazing acceptance by the public of certain individual publications.

1. Estimates March 31, 1960 Supplement

"5 BX"---the book of basic exercises--- has sold 65,000 copies and "Native Trees of Canada" has sold 56,000 copies in 10 years. However, periodicals are sold, too, and some of them undoubtedly help swell this figure.

These are merely examples but they should be sufficient to illustrate my point. But what of it? What significance has this for the Royal Commission on Publications? What might the commissioners expect to find?

Frankly, I don't know what the commissioners might find. They might find that the government periodicals and other publications sell very well because they fill a basic Canadian need not supplied by private publishers. They might find that government publications sell very well because they are produced at the taxpayers' expense and thus can be sold far cheaper than comparable publications elsewhere. They might find something else completely.

My one and only point is that unless the commissioners inquire into this fertile area for study they will never know what can be found.

Perhaps one further question must be answered to complete this submission: would such an investigation be within the powers of the commission? I suggest that it would. The Royal Commission on Publications has all the powers of a commission under the <u>Inquiries Act</u> and has been specifically given the authority to compel assistance to "the fullest extent

by government departments and agencies." No further powers would be needed to examine government publications.

This is a very brief submission. It is brief because I am not posing as an expert but am merely trying to suggest what I feel might be a possible area for study. I would be happy to discuss the merits of this suggestion with the commission and to supply any further material at my disposal.

SUBMISSION BY McCLELLAND
AND STEWART LIMITED

We have considered the desirability of appearing before the Commission but have concluded that we may save your time and ours by submitting a simple brief. We have little to say that has not already been said. We have no panacea to offer. Our chief reason for seeking your attention is that we do not wish it to be inferred that we are indifferent to the plight of the Canadian periodical press.

Our views may be summarized as follows:

1. We believe a strong periodical press to be essential to the cultural welfare of this country. If there is to be a Canadian identity in the future, if a distinct Canadian culture is to be given the opportunity to develop, we must protect our magazine industry. We do not share the view of those who say that a culture cannot be artificially protected or nourished. Most distinct cultures have developed as the result of natural protection afforded by race, language or geographical barriers or through artificial barriers resulting from military or economic considerations. As the tiny apex of a powerful English-speaking cultural triangle, Canada is in a uniquely vulnerable position. We believe the existence of a strong periodical press to be just as essential as political autonomy or as the Canadian Broadcasting Corporation, or the National Film Board, to the preservation of the Canadian position.

2. We believe that the majority of thinking Canadians favour the development of a Canadian identity. We have continued to exist as Canadian book publishers for more than fifty years because Canadians want to read books about Canada and books by Canadian authors. This interest in things Canadian is far more evident today than ever before. Canadian books outsell imported books on a per title basis by an overwhelming margin. We suggest that this is a clear indication of the attitude of the public on this issue.

3. If we are to develop as a nation on the cultural level more good Canadian writers are needed. A strong periodical press is essential to that end. As book publishers we are dependent on magazines such as Maclean's, Chatelaine, Saturday Night, Weekend, the Star Weekly, and others, including the "little magazines", for many of our new authors. The periodical press serves as the training ground. Many authors require the experience of publication in magazine form before they are able to complete satisfactory book-length manuscripts. Were this sort of publication denied them, there would be fewer good books published.

It is not true to say that Canadian authors, if they have the merit, may publish equally well in United States or English periodicals. The requirements are different. Admittedly, some of the best-known Canadian authors do publish regularly outside this country. But it is difficult, if not impossible,

for those who are not prepared to meet the specific demands of foreign editors or for those who wish to deal with material that is of special Canadian interest to do so.

We could submit evidence showing the number of Canadian authors from our own list that have benefited from the existence of Canadian magazines. We could give evidence showing how many of our books have resulted from prior publication of material in Canadian magazines. We assume, however, that there can be no argument on this score and that no such demonstration is required.

4. We believe that many more Canadian magazines are needed. We were interested in the submission made by the Maclean-Hunter Publishing Company Limited. While one can hardly be upset to learn that some divisions of this large organization are unprofitable, it is of considerable concern if the valid conclusion may be drawn from their report that it is not possible to run good mass-circulation magazines in this country without subsidy. We feel that more rather than fewer Canadian magazines are needed and, further, that the means should be sought to make it possible to publish magazines in this country independently and without ownership subsidy.

5. We would favour a solution designed to support Canadian periodicals rather than one that would penalize or interfere with foreign publications. If the Canadian

public wants Time Magazine and Readers' Digest and other foreign periodicals - and it is clear that it does - we would, on our part, be opposed to any interference from the Canadian government. We do not consider an evaluation of the intrinsic editorial merit of Time Magazine or an evaluation of the extent of its Canadianization to be relevant to the issue at hand. The relevant question is whether or not the competition is equitable. If it is not - and it appears that it is not - then we respectfully suggest that a solution be sought that would not directly penalize foreign publications. We would suggest, for example, that some form of tax credit might be offered to firms advertising in Canadian magazines. We see no merit whatsoever in imposing special taxes on foreign publications. We do not feel that much can be gained by forcing foreign publications to become partially Canadian in editorial content. We see little merit in a solution that would force the Canadian public to pay more for imported publications. We would, however, welcome a solution that would permit Canadians to compete at least on even terms. Although we can claim no originality for the tax credit proposal, we do feel that this is the proper area in which the remedy should be sought.

In summation, our total experience as book publishers in this country has convinced us that most responsible and intelligent Canadians favour the

encouragement of Canadian writers, Canadian artists, Canadian cultural development generally. We believe that an important segment of our public would welcome government intervention, if it is required, to ensure a strong and independent periodical press in the future.

ROYAL COMMISSION ON

Publications

HEARINGS

HELD AT

OTTAWA

VOLUME No.:

27

DATE:

JAN 4 1961

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ROYAL COMMISSION ON PUBLICATIONS

Proceedings of hearings held
in the Supreme Court Building
in the City of Ottawa, Ontario,
on the 4th day of January, 1960,
et seq. at 10.30 a.m.

COMMISSION:

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J. GEORGE JOHNSTON	Member
CLAUDE P. BEAUBIEN	Member

P. MICHAEL PITFIELD	Secretary
G. H. QUINN	Administrative Officer

I N D E X

Vol. 27

We, the signatories, ask the Royal Commission on Publications to consider the following opinions in their deliberations. These opinions are held as individual opinions and are not necessarily those of any organization or institution.

It is generally accepted that certain publications of foreign origin are of great value to Canada. These publications are those of cultural importance, such as the "little magazines", and of scientific importance, such as the various journals of the learned societies, research institutes and universities. There has never been any suggestion that the circulation of such publications should be impeded in any way. However, several briefs presented to this Royal Commission have suggested that publications of foreign origin carrying news and editorial opinion either be taxed on entry or taxed, in some way, on advertising content. There is therefore a possibility that foreign publications will be divided for tax purposes into two classes;

1. those containing news and opinion, which receive most of their income from advertising: to be subjected to tax;

and 2. those or original scientific and literary content, receiving their

income from sales or institutional grants: not to be subjected to tax.

We would like to point out that there is a very important third class of publications, partaking of the characteristics of both of the above, whose essential role should be protected, whatever decision this Royal Commission should come to. These publications disseminate scientific information and opinions across inter-disciplinary boundaries, a role made necessary by the modern fragmentation of science. In a sense they are the scientific equivalent of "Life", "Newsweek" and "Harper's Magazine".

These journals and magazines are supported in a variety of ways but they have one characteristic in common; some of their income derives from paid advertisements. Some, like "Scientific American", which solicits and pays for articles by recognized authorities throughout the world, and various medical reviews are frankly commercial ventures. Others, like "American Scientist", "Science" and "The Journal of the American Medical Association", most of the content of which is unsolicited reports or opinions for which the authors receive no remuneration, are the official organs of learned societies. There are also some which are distributed free or for a nominal fee to a selected list

of recipients; these may be "captive", carrying the advertising of one firm, or may solicit advertising from all manufacturers selling to the members of their list.

However financed, and regardless of how lucrative they may be to their individual backers, these publications are absolutely essential to Canada's scientific community. Indeed, they number among their members the two most respected scientific journals in the English language - "Science" published by the American Association for the Advancement of Science, and "Nature" published by Macmillan and Company, in the U.K. Since the cost to subscribers is often already high, it would be unfortunate to raise it still further by taxation.

Secondly, we would like to submit our opinions on another subject under consideration by this Royal Commission, that is, the value of non-Canadian editorial matter.

The opinion seems to be held in some quarters that editorial matter is a marketable commodity, and when imported, should be taxed in the same manner as manufactured goods. Although there is no doubt that it is marketable, we would like to suggest that it is not analogous to a manufactured product. Each written article, no matter how ill-informed or inane, is unique. It is in the same class as a piece of music or

a painting and, unlike manufactured articles which are identical within the limits of manufacturing tolerance, never comes within the definition "of a class or kind made in Canada; parts thereof". Presumably a Canadian could be found to write an editorial on any subject. It would be an editorial on this subject, not the editorial, and certainly different, however subtly, from one written by an American, Frenchman or Englishman.

The words "overflow" and "dumping" have been used much in briefs submitted to this commission. We would like to suggest that these words as used are now too emotionally loaded to be meaningful. Perhaps "girlie" magazines and "comic" books are dumped in a sense, but if so certain technical and literary publications which overflow into Canada can only be regarded as manna from heaven, which we are privileged to partake of only because the tremendous American market makes them economic propositions.

There is a danger that in protecting some of our native publications, which are rightly or wrongly promoted as "just as good" as their foreign counterparts we may fall into a state of scientific, technical and literary parochialism.

This statement is submitted on behalf of Select Magazines, Inc. in reference to the inquiry which is being made by the Canadian Royal Commission on Publications into the position and prospects of Canadian magazines and periodicals and into alleged problems arising from competition with similar publications which are edited outside Canada or are of foreign content.

It is understood that the Royal Commission may consider the recommendation of governmental measures which would restrict or impede the distribution and sale of United States publications in Canada.

A curtailment of the distribution and sale of United States publications in Canada would doubtlessly affect Select Magazines and its United States publishers adversely. To this we would be firmly opposed. However, the primary concern of the Royal Commission, presumably, is the probable effect of restrictive or prohibitive measures on Canadians. This effect would be adverse and considerable.

Therefore, in response to the courteous invitation from the Royal Commission, it is desired on behalf of Select Magazines, Inc. here to present certain facts with respect to the participation of many Canadians in the

the distribution of, and the interest of Canadians generally in the availability of, United States publications in Canada; and to point out some of the adverse effects upon Canadians which we believe will ensue from curtailment measures.

Purpose and Corporate Structure of Select Magazines, Inc.: Select Magazines, Inc. is a New York corporation, owned by a group of publishers, which handles the function of "single copy" distribution of magazines and small books destined for ultimate sale over retail newsstands and other outlets in the United States and Canada. The Company was founded in 1919.

The publishers who own Select Magazines, Inc. and some of the publications of each are:

McCall Corporation ("McCall's", "Redbook")

Popular Science Publishing Company ("Popular Science", "Outdoor Life")

The Reader's Digest Association ("The Reader's Digest")

Meredith Publishing Company ("Better Homes and Gardens")

Time Inc. ("Time", "Life", "Sports Illustrated")

In addition, Select Magazines, Inc.

distributes the publications of the following publishers on a client basis:

Lane Magazine Company ("Sunset")

U.S. News Publishing Corporation ("U.S. News & World Report")

N.Y. World Telegram & Sun ("World Almanac")

Pocket Books, Inc. (Various small books)

Select Magazines, Inc. is located at 229 Park Avenue South in the City of New York. It carries on its operations primarily by the use of the mails, telegraph and common carriers. It has no office or other facility in the Dominion of Canada.

Select Magazines' Distribution in Canada: Select Magazines distributes its magazines and small books to local wholesalers throughout the Dominion of Canada. These wholesalers break up bulk shipments and truck copies in appropriate numbers to the retail dealers in their areas. In Canada there are 51 wholesalers who have 1,100 employees who serve 9,794 retail outlets.

During the year 1959 a total of 15,573,037 units of Select Magazines' publications were purchased in Canada. This represented an income to retailers of $5,083,812.00, and an income

to wholesalers of $4,002,558.00. The number of units purchased in 1959 in Canada represented 7.5 per cent of the total units distributed by Select Magazines in that year.

In order to distribute its products in Canada to the wholesalers, Select Magazines uses the facilities of railroads, trucks and planes. During 1959 a total of $159,099.00 was expended in the transportation industry in Canada to move Select Magazines' publications.

The Wholesale Distribution of United States Publications in Canada is a Canadian Enterprise which would be adversely affected by restrictive measures: The distribution of publications by a wholesaler is a substantial operation. It involves, in Canada, in connection with United States publications, Canadian business transactions by Canadians and the employment of Canadians. A wholesaler must have a place of business with facilities for handling and storing publications. He must have trucks to make deliveries, and he must have employees.

The adoption of restrictions on importation of United States publications, or of tax measures which would curtail such importation, would thus have a direct impact on various Canadians. However, the first such impact would be

on the financial position of the wholesalers and their employees; a matter in which the Canadian publishers themselves should be concerned.

A wholesaler has so much space, so many trucks, so many people which comprise his operation by which he distributes magazines to retailers. His basic operation is to prepare bundles of copies of publications for the various retailers in the area which he serves and to cover the area with enough truck routes to effect deliveries to the retailers. The costs for his operation are fixed and the addition of business usually does not make it necessary to add space, equipment or personnel. By the same token, the subtraction of business generally does not permit a decrease in space and equipment, but does permit less personnel. In short, if the wholesaler in a given area who has ten trucks, 60 personnel, and 12,000 feet of space, lost a portion or all of the S*M line, he quite possibly would not be able to operate with less than ten trucks and 12,000 feet of space but would be forced to decrease his staff of 60 personnel.

Thus, the net result of curtailment of the distribution of United States publications in Canada would be a net loss in revenue and gross profit by the wholesaler, and a reduction in

personnel, with little chance of reducing his dollar loss by a reduction in expense. Such curtailment would be fraught with risk to the financial stability of the wholesaler and his ability to distribute all publications of whatever origin.

If it is assumed that the reduction in revenue and profit by the loss of curtailment of United States magazines by the wholesalers could be made up by the increase in sales of Canadian magazines, then, as will be presented next below, this is just not true.

Effect of Curtailment of United States Publications on Retailers and Others: Assuming that action would be taken which would curtail the distribution of United States magazines in Canada, not only wholesalers but, also, retail dealers and industries allied to this industry, such as the Canadian paper industry, would suffer a loss in revenue and gross profit.

It is not conceivable that this loss could be made up by additional sales of Canadian publications. An increase in sales of existing Canadian publications, if assumed, would not be enough. Readers frequently buy more than one publication at newsstands. Consideringthe travails and costs of launching and continuing the issuance

of publications, it is not realistic to suppose that enough new publications would arise to replace the many United States publications that might have to discontinue Canadian distribution, as has happened in the past, as a result of restrictive or tax measures.

Rebuttal of Charges Against Select Magazines, Inc.: The allegation has been made in public to the effect that Select Magazines, along with another national distributor, controls the single copy distribution system in Canada. Answering to this allegation, that statement is just not true, simply because both Select Magazines, Inc. and the other national distributor account for only about 40 per cent maximum of the single copy business in Canada. Because the magazines of both of these national distributors are high-volume, fast-selling products, retailers give them good displays and positions on the news-stands. Based on experience, it is true that an inferior display given to an S*M magazine would hurt its sale, but only slightly. A superior display given to a Canadian magazine would, of course, help its sale, but again, only slightly. Sales depend basically on desire or demand on the part of the reading public and this is affected only to a limited extent by display position.

Select Magazines desires good display but, because of the editorial and production quality of its publications, does not need to use any unfair or questionable methods of securing display.

The Ultimate Interest of the Reading Public: The heart, soul and essence of the single copy magazine business all devolve back to just one thing: The demand by the reader. The reader now exercises 100 per cent free choice in selecting the publication he wants from the newsstand. This is his right in a free society; the reverse side of the coin of freedom of the press. It is the unqualified opinion of Select Magazines that the magazine distribution system in Canada at the present time is a competitive one in which every publisher -- United States and Canadian -- has an equal chance to sell its publications to the Canadian reader. Select Magazines fervently believes that it is in the real and ultimate interest, not only of those engaged in the publishing industry, but of the reading public, that this competition be kept open and unfettered. Any action which seeks to restrict or impede the entry of any legitimate publication into the Canadian market would strike a blow at the very heart of the democratic freedom of the reader to select what he shall read.

SUBMISSION OF
HUOT ADVERTISING

Canada, whether we want to admit it or not, is a long narrow strip -- running from east to west and for the most part immediately tothe north of the international border that separates this country from the United States.

In the magazine field, as in others, Canadians must carry on a continuous struggle to maintain their identity from exterior pressures, largely from across the international border.

Years ago the Federal Government set up the Canadian Broadcasting Corporation to meet this unique circumstance.

It is apparent now that something must be done to assure the survival of the periodical press.

This section of the press appears to be the only one that approaches national and international subjects with a Canadian point of view.

If these magazines go out of business, due to conditions peculiar to Canada, there will be no periodicals exploring Canadian problems in full depth. If this happens there will be a complete reliance by Canadians on magazines from abroad, with opinions prefabricated by editorial boards from abroad.

It is extreme indeed to take the view that if there were no Canadian magazines, there would be no Canada; but it is apparent that without Canadian magazines, the people of this country would make one further step towards losing their national identity and would become even more American in their attitudes and conceptions than they are today.

At the present time a very large number of Canadians are watching American TV, listening to American radio, not only directly, but when these programs are relayed by stations on this side of the border.

Already, American magazines are in the vast majority on the newsstands of Canada and reach Canadian homes on subscription through the mails.

Already many trade manuals are from the U.S. and even some of Canada's school textbooks are of U.S. origin.

Canadian publishers today find mounting costs cutting into their profits drastically. Canadian advertisers today find rising costs also forcing them to cut back in their advertising budgets.

Many firms now using Canadian magazines could not possibly afford the increased rates demanded by American publications coming into this country, despite the larger circulation which

some of them appear to enjoy.

These are serious considerations, but above all is the factor of the Canadian identity. This, in my opinion, must be retained, whatever measures may have to be taken in the defence.

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SUBMISSION OF
POINTS DE VUE

We wish to specify that the views expressed before this Commission are personal and do not necessarily reflect the opinions of the collaborators of the newspaper Points de Vue.

This Royal Commission being one of the healthier symbols of our democracy and a dynamic expression of the freedom of the press in Canada, we are not here to talk about Points de Vue and what it means to us, but to express freely our views on the health of our Canadian publications.

We deplore, as other publishers do, the invasion of American and European magazines on the Canadian publications market. We note the increasing tendency of the English and French-speaking population to accept passively the American way of life and we declare that unless the Government does everything in its power to stop this imported flow of ideas foreign to our theories, within ten years, Canada will have become a satellite of the North-American continent. To become a nation, we must take stock of ourselves, our worth as well as our deficiencies, and learn to probe deeply into the mysterious facts of Canadian actuality.

It is not within our competence to

propose to this Commission radical methods of curbing the expansion of foreign propaganda at home. The lack of national pride in our cultural expression on the part of the public, advertising agencies and the Government, provincial as well as federal, is an obvious symptom of our national anemia. We shall, therefore, leave to more qualified individuals the task of advising our Government on the steps to be taken in order to supervise more closely the enthusiasm of foreigners at the profitable revenues realized of our Canadian publications market.

Our English-speaking compatriots are, because of their language, more receptive than we are to the American culture poured daily into our homes through the medium of television, newspapers and magazines. But we must admit they don't do too much to alleviate this influence. We've deplored more than once their tendency to blame their neighbours for their own indifference to Canadian affairs. The province of Quebec is equally guilty of this habit, but the fear of losing our identity makes us more aggressive. Which proves that our faults are sometimes useful.

In a democratic country we would look askance at the prohibition by the Government of the publication and sale of foreign publications. Such

a measure would be contrary to healthy freedom of the press and would dull the brilliance of democracy in the eyes of the provinces.

If the English provinces should be aware of the American influence in their language and publications, the Province of Quebec, on the contrary, must seek nourishment for its intellectual and spiritual resources from France's literary and artistic expression. Quebec, deprived of the vital and dynamic French influence would risk losing the perfection of its heritage and even the desire to keep it alive. But whether we are of French or English descent, we are Canadians first of all and should do everything in our power to remain so. Our country is powerful and rich, it is developing at a fantastic rate, but we shall only be a nation the day we acquire an objective and sound taste for a healthy nationalism.

The press plays a major role in a free country and ours is a bit too dependent on that of other countries. When our compatriots wake up and face the grave problems confronting our nation, they will benefit more from foreign literature which is, unfortunately, their daily fare at the moment. Canadians cannot differentiate between truth and falsehood in the written news spread among us for the following reason: they know nothing of what goes on within our boundaries.

No nation can reach maturity by learning to know itself through the eyes of others. Taking into account the terrible apathy of all Canadians for Canadian truth, we therefore suggest to this Commission to take any necessary action to pull Canadians out of their intellectual inactivity and to point out the danger of being dominated by foreign influences.

What, in our opinion, would be the steps to take to "Canadianize" our reading hours? Just by wanting it. The day we decide to give unflinching priority to our local, provincial and national products against the attractive and cheap foreign publications, our newspapers and magazines will be healthier.

Our publishers are partly responsible for this detachment of our people for our publications. Not a single person in the whole world will buy a newspaper or a magazine out of sheer patriotism. Our publications must, therefore, be able to capture and hold the public's interest by their size, context and dynamism. Instead of blaming our failures on the competition, the sometimes obvious lack of co-operation of certain advertising agencies, our Government's disgraceful lack of energy in helping distribute our magazines and newspapers in each of its departments,

embassies and consulates in other countries, we should accept our responsiblities and have the courage of our opinions -- at least let's try to acquire a few of our own! Maybe French and English-speaking Canadians do not show sufficient interest in our publications but sometimes they have good reason not to. Our magazines and newspapers lack information, sense of humour and lucidity. We almost never dare print what our French and English-speaking compatriots are looking for in foreign publications. In general, our magazines are seriously and gravely written for a grave and serious public. Our pages are set up in an old-fashioned way, the subjects discussed superficially and when the are serious they are treated in a puritan rather than an objective way. Of course, there are fortunate exceptions in French as well in English-speaking Canada but our public quickly tires of our cowardice and don't very often show enthusiasm for our publications. Instead of criticizing foreign magazines which unfortunately capture our people's interest, we should imitate their aggressiveness, their dynamism and their lucidity.

We therefore suggest to this Commission to examine seriously our publications and to retain those worthy of assistance. Especially,

let's try to keep this assistance free of all political, religious or ethnic prejudice. A country unable to support its sources of information will die eventually. Our Government should also look after magazines and newspapers whose circulation is limited. They are important, for their multiple existence attest to a healthy variety of opinions and help us fight the conventionality of our national character.

The opinions expressed before this Commission take into account the tragic aspect of the financial situation of most Canadian publications. In this North-American continent we are always in danger of being literally consumed by our neighbours. We'll have to fight against their power, their strength, their persuasion. But if we profess our art and our freedom of speech, we'll manage to keep our identity. But the wish to create a newspaper alone is not enough to sell it. Advertising agencies play an important role in the history of our publications. They must insure the sale of their products, of course, but they can also help our publications balance their budget. All directors of newspapers and magazines recognize the vital importance of advertising pages.

Our most important weapon against Americanization is our dual culture. Our Government

could spend much less money on new and sometimes fictitious barriers if it tried more effectively to consolidate existing ones. Sometimes it sounds absurd to hear Canadians criticizing a way of life and of thought which a large number of us, however, adopt readily. And foreigners settling carelessly and sometimes tactlessly among us will have more respect for our originality and the genuine quality of our customs when they can find "Canadians in the national sense of the word instead of provincials in the narrower and uncompromising sense of that word." Therefore, we think that if this Royal Commission could make Canadians ashamed of their indifference instead of prohibiting the publishing by strangers in our country, we would have taken one step forward towards national maturity.

Consequently, in summing up this memorandum, we would beg the Royal Commission on Publications to recommend to the Government the necessary measures to help our publications emulate the quality of those foreign publications instead of prohibiting them. Freedom of the press is a sacred privilege of democracy, so we think that if Canadians publish and print more material at home they will be in a better position to choose the best and reject the worst from outside publications. Right now we are not victims of the

cupidity of others but of our own tolerance. We read what is published and said about us, not knowing exactly why we should object, and especially what we should object to. Our Government should realize that on the day when Canadians lose all interest in an autochthonal production they will also lose all interest in being Canadians. In this, the province of Quebec and our publications are more cautious than anywhere else in the country. We know why we are French-speaking Canadians and we do everything in our power to remain so. If the Federal Government wishes to observe the Constitution, it will help support our publications by allowing our Canadian writers and newspapermen free expression of their opinions. Let's awaken Canadians of all ten provinces to the necessity of supporting our publications; let's help our publishers improve their product by giving concrete evidence of our support -- and Canadians themselves will choose what they will and will not read. They are, after all, the only judges.

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SUBMISSION OF
V. ROBLIN

U. S. Publications or U.S. Military Protection?

Canada is now making an investigation of the competition Canadian publishers of magazines and other periodicals have to meet. Without exceeding the spirit of their assignment the investigating Commissioners could also look into the Canadian book publishing business. Emphasis is to be laid on the competition brought about by publications edited outside of Canada. Recommendations will be made for the return to, and the development by, Canadian magazine publishers of a business they have largely lost to U.S. publishers.

How is it that U.S. publishers of magazines, books, etc. have managed to get so much of this Canadian market?

According to the writer of the present article, Canadian publishers and printers are themselves largely to blame for their unfortunate situation as compared with the situation enjoyed in Canada by their U.S. competitors. (In that they paid no attention to the provisions of the Canadian Copyright Act passed in 1921 for their benefit.) But U.S. publishers of magazines

and other periodicals and books can expect a change in favour of Canadian labour when the Commission makes its recommendations.

The investigating Commission is likely to compel the enforcement (1) of Prohibition Schedule C to the Canadian Customs Tariff, as prescribed in section 28(2) of the Canadian Copyright Act, and (2) of the filing of the "Notice required of intention to import" specified in the marginal note to the said section 28(2). These recommendations to be in return for the restrictions on importation into the U.S. of Canadian magazines and other periodicals and books.

Further, it is more than likely that something will be done about the enforcement of section 5 of the "Memorandum Department of National Revenue, Canada (Customs Division) Ottawa, January 1, 1945" reading:

> "You (Collectors of Customs and Excise) are instructed not to allow importation of any newly published work ... until you have received from this department or from the importer direct a declaration of the importer in Form 4 ... which may be accepted by you as evidence that the 14-day period of prohibition ... referred to in section 28(2) (of the Copyright Act) has expired.

"Such declaration shall be attached by you to the copy of the entry which is sent to this department and if it has been received by you direct from the importer you are to notify the department thereof by letter enclosing a copy of the declaration."

And, if the above instructions to the Collectors of Customs are not properly attended to, you can be sure that Canadian Publishers and Printers will demand that something be done about the enforcement of Section 107 of the Canadian Criminal Code,

"Everyone who, without lawful excuse contravenes an Act of the Parliament of Canada by wilfully doing anything that it forbids or by wilfully omitting to do anything that it requires to be done is, unless some penalty or punishment is expressly provided by law, guilty of an indictable offence and is liable to imprisonment for two years."

Another point that is bound to have the attention of Canadian publishers and printers is in sections 14 and 15 of the Canadian Copyright Act. If our Canadian publishers and printers had

used these sections from the time (1924) publishers and printers became entitled to use the sections they could probably have built up and retained the Canadian market. The fact that they did not use the compulsory licensing sections of the Copyright Act seems to indicate that our publishers and our printers were already, in 1924, under the control, or scared, of U.S. publishers.

Someone has wondered why "Time" should not be printed in Canada. If our Customs, like the U.S. Customs, had done its work and kept books, etc. of U.S. origin out of Canada for 14 days from first publication in the U.S., as demanded under Canadian law, books, etc. could have been reprinted, remanufactured, in Canada in virtue of section 14 of the Copyright Act to the advantage of Canadian printing labour, binders, paper makers, ink manufacturers, etc. with but little harm, if any, to U.S. publishers who would have received some compensation by way of royalty, etc. And under section 15 similar treatment could have been applied, to U.S. magazines and periodicals.

The reason sections 14, 15 and 28 of the Canadian Copyright Act were enacted against Canadians and U.S. Nationals was to hand the latter some of their own medicine in that, in 1924, and for years and years before that, no Canadian book,

article, etc. could be protected in the U.S. against reproduction unless such book, magazine article, etc. were wholly manufactured in the U.S. As no Canadian author or publisher, etc. could afford two typesettings, printing, etc. of the same edition of the same work, the work went without copyright protection in the U.S. Just imagine U.S. publishers having the opportunity of selling in the U.S. the works of Canadian authors without paying anything to the author! If ever a Canadian author, or a music composer, was lucky enough to receive some compensation from a U.S. publisher he was made to throw in, in favour of the U.S. publisher, all publication and selling rights in Canada. And this advantage is likely to last as long as Canada does not put in force the Universal Copyright Convention.

But why should Canada put this new Copyright Convention in force and forego the licensing provisions of the present Copyright Act? If Canadian publishers and printers allow the removal of these licensing provisions, as recommended by the Ilsley Royal Commission on Copyright, they will never get back their Canadian magazine, periodical and book trade.

Practically, the Universal Copyright Convention 1952 was dictated by the U.S. based on the

U.S. law of copyright. Canada has belonged to the Berne Copyright Union for some 70 years. And protection in virtue of this Berne Convention is so superior to the protection available in virtue of the New Universal Copyright Convention that U.S. publishers do not care for the latter. More than ever U.S. publishers want the benefit of protection in virtue of the Berne Convention. Just one example. The Universal Convention, as of May, 1960, had some 35 members such as Andorra, Cambodia, Lace, Lebanon, Lichtenstein and some first rate powers. On January 1st, 1960, the Berne Convention had some 45 members listing all first rate powers except the U.S.A., Russia, China and most of the Central and South American Republics. And to get the benefit of protection in virtue of the Berne Convention, U.S. publishers still violate the above-mentioned Canadian laws. Here it may be supposed that the Canadian public, and for that matter the American Public, has not known that the U.S. magazine and the book trades have for some 70 years taken advantage free of charge of the members of the Berne International Copyright Union without having ever shown much willingness to share in the expenses and in the obligations! No wonder U.S. publishers have been able to corner the Canadian and other markets for books, magazines and periodical publications!

No wonder we are being Americanized!

Other drawbacks that caused Canadian publishers and printers to lose most of their Canadian book, magazine and periodical market are the 9 and 10 big printing plants, one in each province, two in Quebec, that are maintained and operated by means of public funds under the style, "Queen's Printer". And how many other smaller printing shops are maintained out of public funds in the different provincial and/or federal departments? No private publisher and/or printer can compete against establishments that are equipped, maintained and operated out of public taxes. With these taxes, government printing establishments, large and small, and Queen's Printers, can easily buy the latest in printing machines; such establishments, Queen's Printers, need have no worries about profitable disposal of the equipment they scrap to see that their plants work with the latest available machines. More than that, these Queen's Printers establishments are not required to show profits to shareholders! If the book, magazine and periodical publishing and printing trades are to survive U.S. competition, and if the Canadian public is to be helped to retain its traditions and advance its ideals, the first thing to do is to close our 10 Queen's Printers establishments

and have the Collectors of Customs carry out the provisions of the memorandum sent them January 1st, 1945.

Closing out 10 Queen's Printers would merely give a lot of work to the printers and the publishers on whose complaint was passed the Order in Council launching the present investigation. Just think of printers and publishers paying taxes to help maintain competing printing and publishing shops! Just think of the burden taxpayers have to shoulder in looking after a 12 to 15-million dollar "Printing Bureau", a bureau that compete unfairly against those who keep it going! This is only one establishment; there are 9 or 10 others maintained under the style, "Queen's Printer".

Except for some unavoidable resignations, the transfer to private printing, bookbinding and publishing shops, of workers used in the 10 public printing bureaux could be controlled by the different trade unions and unemployment insurance, and would not likely cause any great hardship, no more than did the removal of the federal Printing Bureau from Ottawa to Hull.

As to the buildings housing our 10 public printing establishments and the equipment therein, could not the buildings be converted to house some government department, and the equipment

taken over by private printing concerns?

Certainly the Canadian book, magazine and other periodical publishing trade is sick. So sick in fact that it will be a great wonder if it can ever get over the sickness, the unfair competition, it has had to meet from the U.S. for the last 100 years or so.

But, of two evils, which is the lesser: U.S. publications or U.S. military protection?

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--- On resuming at 10.30 a.m.

THE CHAIRMAN: Mr. Chalmers, please.

MR. CHALMERS: Thank you. My name is Floyd S. Chalmers, President of Maclean-Hunter Publishing Company Limited.

THE CHAIRMAN: Commissioner Johnston.

COMMISSIONER JOHNSTON: Mr. Chalmers, last evening I went over your previous submission. I don't think that this Commission needs very much more from you in the way of information about your company. We know you are very rich, probably richer than you deserve - I say that with a smile - and I don't know that it helps the problem. We have a real problem, though, in that if we succeed in a recommendation that results in the Canadian field being left free for Canadian magazines, it leaves you in a very dominant position. But I don't know that that is anybody's fault, except you people being too successful, too smart.

One matter on your financial statement - and our auditor hasn't yet come up with his report - you are free of bank loans, I take it, generally speaking.

MR. CHALMERS: Yes, that is right.

COMMISSIONER JOHNSTON: And that preferred stock you mentioned, is that non-redeemable preferred?

MR. CHALMERS: No, that is redeemable.

COMMISSIONER JOHNSTON: I am surprised you haven't redeemed it, then.

MR. CHALMERS: I don't know how the original issue came into being. There was a supplementary issue that came into being, oh, some 45 years ago, when Colonel Maclean purchased a minority interest in the Financial Post from his partner Stewart Huston, and this was paid for by the issuance of preferred stock, and some of us who have been associated with the company since then have felt that so long as Stewart Huston's widow, and now his daughter, were in possession of these shares, we didn't particularly wish to redeem that stock. The largest owner of those shares is the Presbyterian Church of Canada;. it owns something in excess of a 1,000 shares left to them in the will of Colonel Maclean. Should we redeem this from the Presbyterian Church?

COMMISSIONER JOHNSTON: I am an Anglican.

THE CHAIRMAN: Is it widely held? What is the distribution of the stock?

MR. CHALMERS: Let me answer that question simply by saying it is not widely held. There are perhaps a dozen shareholders, and other than the Presbyterian Church, everybody had some association at one time with the company.

COMMISSIONER JOHNSTON: The Presbyterian Church where?

MR. CHALMERS: The Presbyterian Church in Canada. The trustess of the Presbyterian Church in Canada, I believe, is the name on the stock certificate.

COMMISSIONER JOHNSTON: A young man trying to get along in the world - if we go back to Colonel Maclean when he started the Canadian Grocer. He must have had some difficulties. I have heard stories about his earlier activities. I am wondering if somebody of the age he was then could get going in face of competition he was sure to meet all over the place. Or if you like to take this suggestion of yours that there is the room for the possibility of a Wit and Humour magazine in Canada. If a young man, or a young woman, started such a magazine, what sort of reception - and was in a position to guarantee some, say, 10,000 circulation, which is about as humourous as anybody can get in this country, what sort of a reception would it get from the advertising agencies?

MR. CHALMERS: I don't think that the advertising agencies would rush into his office to buy space in it. He would have to go out and do a salesmanship job on it, and not only the space bars and the account executives, but he would have to do it on the advertising managers and perhaps the general managers of these companies. He would have to be aggressive and get out a hustle.

COMMISSIONER JOHNSTON: Do you think that the agencies could be sold without this aggressive young man seeing the advertiser?

MR. CHALMERS: That is a hypothetical question. I will answer this way by saying that if

I were the young man in question I would do what I call top-to-bottom selling; I would sell the agencies and I would sell the advertising manager, and I would try to get in to see the managing director of the company. I would sell at all levels.

COMMISSIONER JOHNSTON: You have heard a discussion around here with the agencies. Your own company's experience, has it been similar to what you have just outlined, that you had to sell the companies, advertisers, as well as the agencies?

MR. CHALMERS: I personally encourage our advertising salesmen to sell at all levels. I think there is a tendency on the part of perhaps the more mature and seasoned salesman on the larger publications, the magazines, to deal with the space bar and the account executive at the agency and not to go to the client except with the permission of the agency. They are too much afraid of offending the agency, This is what I tell them to do; I say sell both the client and the agency. If I left the impression that the agencies would object to this, I don't want to leave this impression. This might happen in a rare instance. Generally speaking today our relations with the agencies are very satisfactory. I have to confess that my knowledge of advertising salesmanship is limited. I was a salesman for a short time. After I joined the Financial Post the manager of the publication felt that I might be a salesman, and he made me an advertising salesman. I disliked it intensely,

I don't mind telling you, but it was a marvellous experience for me to have.

Now, this doesn't come under the heading of Wit and Humour, but the Financial Post in those days was a pretty small publication and they didn't have too wide acceptance in this country. There was a circulation of between 3,000 and 4,000 - I am going back to the period 1922 - and in volume of advertising it wash't even the number one financial paper of the country; it was either second or third. Many people regarded it as the third publication to put on the list, and we didn't get too much co-operation from the advertising agencies, and I found the advertising I wanted I had to go out and sell the managing directors of the companies. But in due course the Financial Post advanced and became of greater substance, wider circulation, well-established audience; it was eagerly bought by the advertising agencies for clients. But in the early days you had to sell at all levels.

COMMISSIONER JOHNSTON: Do you think you would find antagonism in agencies?

MR. CHALMERS: Going back to my experience 40 years ago, I was occasionally rapped over the knuckles by some advertising agency executive for going over his head. This never bothered me. I doubt if this would happen today.

COMMISSIONER JOHNSTON: It wouldn't happen in Maclean's, perhaps.

MR. CHALMERS: There are too many advertising salesmen on Maclean's who are afraid it would happen. I don't think it would. That is what I am trying to convince them.

THE CHAIRMAN: I have sold over the head of the agencies again and again. I think this is a fair business. I wasn't a bit disturbed as to what the agencies would think. I don't think they thought too much of it.

MR. CHALMERS: If I may quote you, Mr. Chairman, to some of our advertising men.

THE CHAIRMAN: You may.

COMMISSIONER JOHNSTON: The reason I brought this up, Mr. Chalmers, is that I have watched advertising selling at the top level, over the heads of the agencies, because in the opinion of the then manager of the paper you allude to it was the only way to get the business. So what is pertinent there is that a man starting out today would have to calculate on going over the heads of the agencies in order to get the bulk of his advertising for his small paper.

MR. CHALMERS: He would be wise not to overlook direct selling with the client. But I do not wish to imply that there would necessarily be hostility to him on the part of the agencies. There might be some disinterest. There is disinterest in any new venture, any new product on the market, and you have to sell it, get acceptance for it.

COMMISSIONER JOHNSTON: Another thing that interested me in regard to the possibility of

new publications to compete with Maclean-Hunter Publishing Company would be that the advertiser's dollar loses a great deal between the advertiser's bank account and the publisher's bank account. I have done a little research, not indepth; I have just asked a few questions of friends of mine, as to how much preparation charges are, and one story I got was 20%. Would you think this is over and above the agency discount? Would you consider that a fair statement in these times? You must know something about preparation charges.

MR. CHALMERS: I wished to confirm my impression with my colleagues. My impression is that on four-colour work, which is very expensive, especially four-colour work which is going into a limited number of publications, the preparation costs could average considerably above 20%; and in the case of advertising directed into business publications it might be again because of the lower rates of the publications. If I were an advertiser and I was relying on only one magazine and using four-colour in it but getting the artwork done, making the plates for one publication, I would expect, in Canada, mind you, that my preparation costs would be 40%, something in that range.

COMMISSIONER JOHNSTON: So that the publisher would get as little as 50% of the advertising dollar.

MR. CHALMERS: In that case he would get about 60%. He would get about 60% in this extreme

case I have cited, yes.

COMMISSIONER JOHNSTON: In the case of the Financial Post, a good deal of its advertising runs in other papers, doesn't it, the dailies and so on?

MR. CHALMERS: Yes.

COMMISSIONER JOHNSTON: And it is mostly black and white. I don't know if they have gone in for colour or not.

MR. CHALMERS: Second colour.

COMMISSIONER JOHNSTON: So the preparation charges are not so very high perhaps. How much of the financial dollar would the Financial Post get?

MR. CHALMERS: Almost 80%. That is to say, 15% discount less the 2% cash discount, and a very minor preparation cost because this advertisement has been prepared for a large number of papers and it is merely the cost of the mats. It would vary from 80% to much smaller than that in a case of one prepared for the Financial Post, and there are many. In that case the percentage wouldn't greatly exceed the 65% I referred to earlier.

COMMISSIONER JOHNSTON: Do you think from your observations that there a number of advertising agencies or companies who perhaps are a bit extravagant in the preparation charges - extravagant in the preparation of advertisements? I am still getting back to this business of how much money net the publisher can get of the advertising dollar.

MR. CHALMERS: I really cannot contribute any helpful opinion on that. I think we must remember that the advertiser has to okay these bills and he has the right to object and he has the right to demand a more economical type of service from the agency if he feels that he is being overcharged. My opinion isn't worth much.

COMMISSIONER JOHNSTON: The larger advertisers who have considerable knowledge of these things, presumably, are taking care of themselves, but there are smaller advertisers who appear to be mindful of the wishes and perhaps the desires of the agency. Have you any comment on that?

MR. CHALMERS: Insufficient information. I plead ignorance.

COMMISSIONER JOHNSTON: That is all, Mr. Chalmers.

THE CHAIRMAN: Mr. Chalmers, before you leave the stand I would like to carry Commissioner Johnston's young man trying to start a magazine a bit farther. Let's suppose a group of young people all over, any group in Canada at the present time, sought to start a magazine or a publishing house, do you, in fact, possess the weapons at Maclean-Hunter to make this impossible, to make it difficult, perhaps cripple the operation? I am not asking whether you would use them, but do you possess those weapons? This has been represented to me again and again since this inquiry began. My friends have said:

"Look, you may bring in recommendations limiting or removing this alleged inequitable competition with Canadian periodicals, but where does it leave the situation with respect to those periodicals?" And the name Maclean-Hunter is mentioned. They say: "Are you going to leave a monopoly, one powerful organisation in Canada, with power - whether they use it or not is irrelevant - but with actual power which will make it difficult or impossible for a rival to start another magazine?"?

MR. CHALMERS: Mr. Chairman, I doubt if my answer to that question can be confined within the compass of one or two minutes. This suggestion that there is perhaps a monopoly developing in the magazine business or in the newspaper business has come up in a rather veiled way many times during this inquiry. One of the business paper publishing houses which stated that it was doing exceedingly well and required no help of any kind rather suggested that the Commission should be looking more at the development of a possible monopoly in this field than in measures for protection or aid to the business paper publishing. One magazine publisher, publishing one magazine in the Maritime Provinces, rather suggested something somewhat similar. He, too, suggested that he was making a profit, he was doing very well. This suggestion seems to have come up from a number of people who are doing rather well. So the first point we have to establish is that in

the case of some of the people who have left this veiled suggestion, without naming Maclean-Hunter, are by their own statement doing exceedingly well.

Now, let's look at this question of monopoly, because the word "monopoly" or the words "monopolistic tendencies" I think have no bearing on this situation at all. They have no real meaning. I don't know of any monopolistic tendencies. The word "dominance" was used. We mean dominance in what? Dominance in the field of advertising? Well, I stated in the original submission on behalf of Maclean-Hunter that we were either fifth or sixth in size in this country in the volume of advertising that we carry in media that we own and control.

The others that carry a larger volume of advertising than Maclean-Hunter are the following; the Canadian Broadcasting Corporation, which is a state institution; the Southam newspapers, and as you know, the Southam Company controls not only newspapers but radio stations, television stations, and they are now the equals of the Hugh C. Maclean Publication, which is the direct competitor in the business paper field of my company. There is also the Toronto Star and the Star Weekly in combination; there is the Montreal Star with the Family Herald and Weekly Star, and Weekend, and all four of these are substantially larger than Maclean-Hunter.

Now, I said five or six. The one I am not certain of is the Thompson newspapers. This is a question mark. They don't publish their total volume, but they have a very substantial number of publications, daily newspapers and some weeklies in this country, and they have a very substantial interest in radio and in television. Whether the Thompson company is, in fact, in terms of advertising sales larger or smaller than Maclean-Hunter, I don't know, but the other four I know to be larger, so that if there is a tendency to monopoly in this country, at least you must consider Maclean-Hunter as being fifth

in line in that field.

In the matter of circulation, Maclean-Hunter, as I told you yesterday, has three magazines and has been selling three magazines through the Trans-Canada News Company, plus a few others, and we were not able, with the total circulation of our magazines, to maintain our own national news distribution organization. As a matter of fact, the total number of copies of Maclean-Hunters' magazines that were sold in a year are slightly more than half the total number of the copies of the Star Weekly that are sold in the year, and the total number of copies of all Maclean-Hunter publications that are sold in a year is substantially less than half of the total number of copies of Weekend magazine that are sold in this country, so I don't see any tendencies to monopoly in the circulation field.

THE CHAIRMAN: May I interrupt you to ask you this; you are now speaking of these organizations producing the periodical press, and newspapers such as the Thompson papers and chains as the Southam, but I am speaking of a magazine, a consumer magazine of the character of Maclean's magazine. There surely you are dominant, if I may use that word; surely you are supreme in that field? You may talk to me of Liberty, but

personally I don't consider Liberty a real competitor of Maclean's magazine. This seems to be not a fair comparison, so I am asking you could not a man start a magazine of the character of Maclean's? You may say that you are fifth in the field, but you are not fifth in the field when it comes to producing a magazine of the character of Maclean's. What do you have to say on that?

MR. CHALMERS: Perhaps I am taking too much time.

THE CHAIRMAN: No.

MR. CHALMERS: I was trying to break this down from the more global picture.

THE CHAIRMAN: All right.

MR. CHALMERS: Of publishing a print media in this country down specifically to the two fields in which we are interested, namely, the business newspaper field and the magazine field, and I think we can dismiss very quickly the business newspaper field because you have had before you some very bright people, aggressive competitors of ours in that field like the Hugh C. Maclean publications, the Monetary Times publications, Age, National Business publications, the Mitchell press, the Stovel-Advocate press in Winnipeg, Arthurs Franklin and many similar ones, and it must

be quite apparent to you that in this field there is very widespread competition, so this brings us down to the point that interests you most, Mr. Chairman, which is the magazine field.

Now, it is true that Maclean-Hunter is the largest operator in this field, and it is true that we are much too big in this field. One reason that we are big is this; that the field itself is small. One by one the national magazines of Canada have, over the years, tended to fold up, and they folded up primarily for financial reasons and our magazines have, generally speaking, not folded up. There have been one or two -- not in recent years -- and we have carried them on; we have carried them on not for the profits that are earned on them, but we have been aggressive in selling and we have spent money -- sometimes I think we spend it like water -- but we have spent money on the improving of the editorial content, in making them as Canadian as it is possible for a publication to be, we spend money on quality illustrations and photography and art work, and this has been expensive, but we have attempted to maintain the preference of the Canadian public for our magazines to the extent that this was in our power.

Other publishers have not been able to do this; they haven't been able to do it because they haven't had other resources, and by "other resources" I mean other resources within the publishing house. I am not referring, for example, to a ball team as a possible source of income for the support of a magazine.

Now, our publications occupies this position, the position that they have in magazine publishing in this country because we have taken them seriously; we have lived with them, we have selected the best men we could find as editors for them and as art directors, and we have paid money to get the best photographers, artists and writers and we have hired the best and most aggressive advertising salesmen, always insisting on high standards of integrity and we have got the best managers we could get and they have gone out and made a success of these magazines, and if they had come in at the end of the year and said, "We have lost $300,000 and that is serious." We say, "Carry on and try to do better next year. What do you need? Why are you losing this money?" But we stick with them.

Now, if other people had either stuck with their magazines or adopted that policy

with respect to them, or if they had had the other resources that we have to enable them to take this long range view with respect to them, there would be many more magazines in this country.

I cannot speak for other people in the magazine business in this country, but there are some publishers in magazines in this country whom I personally do not hold in very high regard, whom I haven't a very high respect for of their particular standards, their approach to the subject, but what is the answer? How do we get these people out of the business? Well, I think they would like to get out, and changing the subject, if I am, take a case like Saturday Night; Saturday Night is a very good Canadian publication that I think everyone in this room would like to see flourish and continue to grow and to expand.

Now, Saturday Night can be bought, Saturday Night is for sale; Liberty is for sale. I know this, it has been offered to us over and over again and we will not buy it. The reason we will not buy it is that we don't wish to build up this monopolistic position that has been suggested throughout these hearings.

Why does nobody buy Saturday Night? It is because the climate is not sufficiently inviting to warrant the investment of anyone's

capital, and if as a result of any recommendations that are made by this Commission the Government takes action which creates a more favourable climate for the publication of magazines in this country, I feel very confident that certain people presently associated with Saturday Night will be able to get financial backing to buy it and perhaps develop this paper and return it to some of its former glory, which would be a service of no small importance to this country.

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I would hate to think how many magazines there would be in this country if our company had been bought by some people who have made a practice of buying publishing companies and had applied to the various publications of Maclean-Hunter the standards which to any good, sound businessman would apply in a decision as to whether or not to continue publishing any one of these papers, and if someone had bought Maclean-Hunter whose primary desire was to make the maximum profit out of it, I don't think that Maclean-Hunter would be here today; Chatelaine might be here, I am not certain; Canadian Homes certainly wouldn't be here. If there is a dominance in this field by Maclean-Hunter it is because we have stuck by these magazines regardless of the cost.

THE CHAIRMAN: May I interrupt you just there, sir? You mentioned a moment ago that Maclean's had gone out and spent money to improve this magazine, and I am sure that is true, but that is my difficulty; you spend it because you have it to spend.

Now, suppose a young group starts a magazine or buys Saturday Night and they haven't got that sort of money, would you then, regarding this fresh competition, go out and spend more money, a sum of money that they would not have

to spend, and if you did that what would happen to them?

MR. CHALMERS: This suggests that there might be in our minds a tendency or a temptation to outspend any new competition and to prevent it from taking root. I cannot imagine -- I can assure you, speaking for myself, that this wouldn't happen. I will not be there all the time, but I cannot imagine anyone whom I will be training to succeed me on that job being so short sighted and so foolish as to fail to recognize that what is in the interests of the Maclean-Hunter magazine is to build up a strong magazine advertising field in this country, and one of our big difficulties against the type of publication which you represent, Mr. Chairman, has always been that this country has a strong group of daily newspapers and has, for most of my lifetime, had a weak group of magazines, and you have got to build up a larger number of magazines in order to get the advertisers interested.

THE CHAIRMAN: But the spirit of the Anti-Combines Legislation Act is not that people will do evil; the aim is that you must not put in their possession the power to do evil. There have been judgments on this. It is not enough for these people to come and say, "We didn't

10 use our powers to try to put our competition out of business", the question the Court's ask is this, "Has he got the gun in his pocket?" He may not have killed anybody, but does he have a gun in his pocket enabling him to do it?

MR. CHALMERS: I wonder if we haven't had a gun in our pocket all these years in the business paper field, and I have mentioned to you six, seven or eight smaller -- very much smaller -- some of them are not much smaller now, they are growing more rapidly than we are, but six, seven or eight other business paper publishing houses in this country who have flourished in spite of aggressive competition from Maclean-Hunter, and we have benefitted; they have kept us on our toes. The point is that the business paper field in this country has grown; it has grown under the stimulus of this competition and I believe myself quite honestly that the magazine field in this country would grow under the stimulus of greater competition and everyone will benefit. Anybody, whether he possessed a gun or not -- anybody who possesses a gun and attempts to use it would be committing suicide in that act.

COMMISSIONER JOHNSTON: Well, on this matter of promoting or at least welcoming competition,

11 does Maclean-Hunter not wish to grow any more?

MR. CHALMERS: Maclean-Hunter wishes to grow, of course.

COMMISSIONER JOHNSTON: Well, if you grow --

MR. CHALMERS: I think there is a basic fallacy in all this discussion.

COMMISSIONER JOHNSTON: What is it?

MR. CHALMERS: I think the basic fallacy is this: The assumption is that there is only so much money that is available for advertising in magazines, and that that is a fixed total sum and it is a fixed percentage of the total advertising budgets of the country, and they take the case that it is important for Maclean-Hunter or anyone else to preserve their share of that. That is not true. What must happen in this country if Maclean-Hunter is to continue to grow is that the number of dollars available in the magazine advertising pool in this country and the percentage of the total advertising dollars in this country must increase, so that if Maclean-Hunter with 15 per cent of the total as against the 29 per cent I mentioned yesterday, that 15 or 20 per cent of the larger sum will be enormously greater than the 29 or 30 per cent which we presently have.

2 That is the thing which must be achieved. In the process you get the national periodical literature diversified in ownership, diversified in viewpoint, diversified in the interests of its editorial coverage.

COMMISSIONER JOHNSTON: What about the Financial Post; has it any competition?

MR. CHALMERS: The Financial Post has several competitors; there is a weekly financial paper in Montreal, a monthly financial paper published by the Monetary Times publishing company, there is a monthly paper published by Howard Mitchell and, of course, the Financial Post is in competition in what we speak of as the horizontal business field, and in its appeal to business executives it has very considerable competition, and Hugh C. Maclean two years ago started a paper called "Executive" which covers much of the field now covered by the Financial Post, and the Financial Post is also in competition with the financial pages of every daily newspaper in Canada, but primarily with the financial pages of the Toronto and Montreal daily papers.

THE CHAIRMAN: If the Wall Street Journal were to come into Canada and put out a Canadian edition, would you regard this as fairly formidable competition for the Financial

13 Post?

MR. CHALMERS: Yes, very much so.

COMMISSIONER JOHNSTON: And you are not going to coast?

MR. CHALMERS: I hope not. I hope not. We have not preserved this enterprise and built it up by coasting. There is only one place where we have coasted, and that is in the payment of dividends to the stockholders, and I hope that we will do something on that soon, because some of us are getting tired waiting.

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COMMISSIONER JOHNSTON: You mentioned yesterday, I think it was, the profits from the commercial printing division. Are those substantial? I imagine we will have your exact figures sometime, but in a general way could you tell us?

MR. CHALMERS: I regard them as very welcome. "Substantial" -- I don't like to use the word "substantial", because I don't know what is in your mind.

I suggest that you look at the figures which your auditors will supply and decide for yourself if they are substantial. I regard them as substantial.

We have gone out to build up our commercial printing business. I took over a rather substantial measure of responsibility for the company when I became executive vice-president in 1942, having spent the previous 22 years, except for my short period as an advertising salesman, on the editorial side and knowing not too much -- not too much -- about publishing. I think that the Chairman will realize some of the problems that I ran into when a man whose life has been spent in editorial work is suddenly confronted with the administrative problems. It was not too difficult because we were under wartime

controls in 1942. You couldn't grow anywhere. When the war ended we got our new plant built and ready and expanded and this new type of competition developed with the entry of Time and Reader's Digest.

I plotted some charts -- long-term charts -- and I found that Maclean-Hunter had been growing at approximately the rate of the gross national product. Our rate of growth fell considerably behind for a period of four or five years during which Reader's Digest and Time were getting established in this country.

I made a further analysis of the sources of income of our company and I found that about 70 per cent of the income of Maclean-Hunter was derived from our magazine operations, and about 30 per cent from the operations of our business newspapers division, commercial printing and everything else.

COMMISSIONER JOHNSTON: Including the Financial Post?

MR. CHALMERS: Including the Financial Post, yes. I had discussion with my associates on the board of directors and I said, "Now, here we are doing 70 per cent of our total turnover in the most hazardous field in this country and under conditions that are becoming increasingly

3 "difficult because of the new type of competition that is developing. Let us seek to get a better balance in our operations." We set out to do that and we started a number of new business publications in fields where there was an opportunity to start such publications. We disposed of one of our magazines to a man who had worked on it for years and was very anxious to buy it. We put in a great deal of machinery in our new plant that was specially designed for handling a diversified range of commercial printing, and today we have achieved the balance -- we achieved it about two years ago -- the balance we were looking for, where slightly over one-half of our total income ... Let me put it this way: Slightly less than half of our income -- 48 to 49 per cent -- comes from our magazines and the other 51 or 52 per cent comes from the other operations.

This is a much stronger position to be in. This is deliberate planning; and, as a result, I may say that the company is now growing a little more rapidly than the gross national product.

COMMISSIONER JOHNSTON: I have nothing further, Mr. Chairman.

THE CHAIRMAN: Thank you very much, Mr. Chalmers.

THE CHAIRMAN: Mr. J. L. Craig of Business Newspapers Association.

SUPPLEMENTARY SUBMISSION
of
BUSINESS NEWSPAPERS ASSOCIATION OF CANADA

---EXHIBIT NO. 0-107

APPEARANCE:

Mr. J. L. Craig - President, Business Newspapers Association of Canada.

MR. CRAIG: Mr. Chairman, gentlemen, the essential purpose of this supplementary statement is to provide some detail on the extensive competition from foreign publications to which Canadian business publications are being increasingly exposed. We are doing this because during the discussions that have taken place those last few weeks various publishers of business publications outlined our problem in very general terms. It is quite possible that in so doing we have not clearly indicated the trend that has developed rapidly in the past year.

The following excerpt is taken from the initial submission made to the Royal Commission by Business Newspapers Association of Canada. Page 15, paragraph 32.

"Quote from January 9, 1959 'Printers' Ink':

'Business paper opportunities in Canada as yet untapped by U.S. publishers are nevertheless realized by most. The increase of Canadian business papers and growth of the markets they cover has opened up rather than limited opportunities in the field ...

'While U.S. publishers have appeared relatively indifferent to these Canadian possibilities, this year may see a few experiments in this direction'."

Recent information brought to light certainly seems to suggest that this statement was a very conservative one.

Canadian Editions, Split Runs, etc: The original B.N.A. submission listed the following special "Canadian" editions and "split runs" being published at this time. These are:

MD of Canada

Fuel Oil News of Canada

Canadian Office

Modern Medicine of Canada

Cleaning Laundry World

Paper Trade Journal

Medical Economics (about to publish)

Time Canada edition

6 Since the original submission was presented the following further examples of U.S. business publications that have recently started carrying Canadian advertising have been brought to the attention of our Association. Some of these are split runs. (Copies of these publications are submitted).

Modern Beauty Shop

American Hairdresser

Canadian Boxoffice

I have received an additional one which is not even in this brief, a publication called "Industrial Property." I have in my hand their Canadian edition, December, 1960. This is apparently a monthly publication. It says on the masthead: "Published in the interests of U.S. and Canadian industry." It has on page 2 a Canadian section in which there is a bit of -- the only thing Canadian about this is the advertisements, that I have been able to observe. In some issues of this I am told they carry more advertising than is being carried here.

I have these and I am prepared to submit them.

One type of competition which is increasing is the distribution system used by some publishers in the States known as the "franchise"

7 system. By this, the publisher will enfranchise one or several equipment dealers in a specified field to act as a distributor for the publisher in that area. The distributor usually purchases a quantity of subscriptions which he distributes to his customers in his district on his own mailing list, or direct from the publisher on a list supplied by the Canadian distributor,

These publications are outstanding instances of simple "dumping" of advertising in Canada. In the example which follows, the distributor pays 17 cents per copy and get his advertising free; if he buys in quantities greater than a thousand I think the price goes down to 12 cents per copy and he gets a full page advertisement free. The actual subscription copy price of the publication is 75 cents. The U.S. publisher's interest is purely an expansion of his Canadian circulation.

McConvry & Mudge of Toronto bring in about 1,000 copies of the publication "Materials Handling Engineering". Another 1,000 copies enter Canada presumably at the instigation of one or more distributors in other parts of Canada. McConvry & Mudge pays 17 cents a copy in quantities of up to 1,000 and 12 cents a copy in quantities up to 2,000. For this he gets an advertisement

8 on the back cover and the publisher makes the following imprint on the front cover "This national publication is sent to you with the compliments of McConvry & Mudge Ltd., etc.".

The covers are sent in already printed with the Canadian advertisement. The publications are sent in uncovered and a local printer covers them and mails them. In this way, the covers come in at the printed matter rate of 25 per cent of their value. The publications themselves come in duty free. Incidentally, the covers, although charged at the printed matter rate of duty, do not bear the imprint mark "Printed in U.S.A."

We asked the local printer why the American publisher handled these publications in this fashion and he stated that "the publisher saves money by mailing the publications in Canada".

This (indicating) is the publication in question and this is the imprint on the front cover and the advertisement on the back cover.

THE CHAIRMAN: What is the name of it?

MR. CRAIG: This is "Materials Handling Engineering."

There are a number of other publications coming into Canada on a similar basis. There follows

9 a list of half a dozen that have been identified, with their Canadian circulation:

Publication	Canadian Circulation
Refrigeration & Air Conditioning	1,288
Hydraulics & Pneumatics	1,897
Occupational Hazards	2,190
Precision Metal Molding	183
Welding, Design & Fabrication	1,481
Materials Handling Engineering	2,123
Construction Equipment	5,618

Source: SRDS November 24, 1960

In the case of "Occupational Hazards" I might say that in this particular case a young man a year ago endeavoured to start an industrial safety magazine in Canada; he had some money and some know-how, but he couldn't get it off the ground. He got out one issue, and I think this well established publication was certainly one of the competitive factors which he had to overcome.

This competition affects Canadian publishers in two ways. In the first place, the Canadian distributor will tend to do less advertising in Canadian publications because of this promotional activity and in addition will urge his American principals to place their advertising

in the publication which he is bringing in on this franchise method. As you see in the example I stated, the distributor is getting a full page advertisement on the back plus an imprint on the front for $170 which is very cheap. This, therefore, is almost more dangerous than the regular split-run type of coverage. As stated before, it is a growing practice.

The issues of American Hairdresser and Modern Beauty Shop submitted have the many ads selling Canadians with the address of the Canadian subsidiary or distributor clearly marked. These suppliers to the beauty industry in Canada are 95 per cent American owned, I am told, or controlled and the items are sold in Canada under the same trade names as in the United States. Circulation of these two publications in Canada are 3,845 and 7,992; that is, of course, per month. The circulation of the main Canadian publication in this field is 7,615.

COMMISSIONER JOHNSTON: What is the name of the Canadian publication?

MR. CRAIG: The name of the Canadian publication is "Canadian Hairdresser," published by Arthur Franklin, a young man who started up a few years ago and is having to meet very substantial competition from this source.

The Canadian distributor for the well-known companies Breck, Revlon, Zotos, admits freely that he relies completely on U.S. overflow.

Time Canada edition. Submitted are three back issues of this publication featuring cover gatefold multiple page advertisements placed by three U.S. controlled Canadian companies. The original B.N.A. brief reported that Time Canada edition carried a considerable percentage of Canadian advertising which would normally be carried in Canadian business papers. These three insertions are examples of such advertising. Further, however, they serve to illustrate the advantage that U.S. subsidiaries enjoy over Canadian companies advertising in Canada.

It will be noted that the three advertisers are International Business Machines, Honeywell and Monsanto Canada Ltd. In each case, B.N.A. sales representatives were given to believe that the only reason that elaborate advertisements of this type were possible was because of similar ads originating in the United States with the companies using the U.S. edition of Time with resultant reduction in cost.

A further important economic competitive factor which affects not only Canadian business publications but works against the domestic

Canadian manufacturer should be stressed at this point. U.S. publishers of Canadian editions and those using the split run technique sell the Canadian circulation to U.S. companies with Canadian subsidiaries as a package deal - a bonus with reduced rates for the Canadian circulation in some cases, when it is bought in combination with other editions; for example, we understand that Reader's Digest will give a discount depending on the number of international editions that are used; but the discount is not nearly so important as the fact that the sales job is all being done at the one time, with the resultant economies to the publisher.

The significant advantages that a U.S. split run or Canadian edition has over Canadian publications, is the fact that their very large sales staffs located at the centre of the business in the United States and in Europe means that the salesmen for the international edition can sell the Canadian publication at the same time as they sell the U.S. edition (or other international editions if they publish them). I am not suggesting there is anything wrong with it, but it is a built-in advantage which these people have which is not available to our own members.

This naturally enables them to effect an economy in sales costs. Most Canadian business publications have comparatively small revenues because their rates are low; they simply cannot afford to have sales representation to anything like the extent that the American publications have.

It is generally understood that "Medical Economics," which is mentioned in the list as about to be published -- a Canadian edition -- felt they had to enter the Canadian field with a Canadian edition because the competitive publications in the United States - "MD" and "Modern Medicine of Canada" were gaining ground in selling the complete package.

Just before we finished this brief we heard about a new publication that was planning to come into the Canadian field, in the printing industry. This is "Graphic Arts Monthly", a publication serving the printing industry in the United States with a circulation of 52,000 of which 2,000 is Canadian. This controlled circulation publication told one of our members that they expected to be doing business in Canada in the not too distant future. The Canadian publication serving this field has about 5,000 circulation, which is a very complete coverage

of this field.

Overflow Circulation: In the B.N.A. brief we pointed out that the tendency of American companies, or Canadian subsidiaries or distributors of American companies, to rely on the overflow circulation of American publications for their main, if not exclusive, business paper advertising in Canada, has been showing an increase. This increased trend is, without doubt, related to the very sharp increase in circulation of U.S. publications in Canada.

Many publishers have been making enquiries since the hearings commenced and have been themselves surprised to realize how many examples have been reported by sales representatives calling on these advertisers. The following are excerpts taken from salesmen's reports recently received. There seems to be no doubt that these overflow circulations of U.S. business publications are being sold to American advertisers who have branch operations or distribution in Canada -- as a bonus circulation, to give them the benefit of reaching their domestic and Canadian markets with a single advertising expenditure.

(1) "J.D. Ashbaugh, Watson-Stillman, Rochester, New York. November 23rd - Mr. Ashbaugh mentioned one reason they do

"practically no advertising (one page a year in one magazine) in Canada, is because they rely heavily on their overflow circulations in American magazines to keep Canadian customers aware of their story."

(2) "Mr. Frank Nissel, Sales Manager, Prodex Corporation, Fords, New Jersey. In September he stated Prodex advertising in Canadian publications was not judged as important as their American campaign because most important Canadian customers are covered by overflow circulation. He said they have advertising campaigns in other countries such as Japan and Germany and these were judged to be more important because these markets are so distinctly separate. This company advertises in almost every plastics publication in the U.S.A. regularly. In Canada they have been running two ads a year with us and two ads per year with the other Canadian publication."

(3) "Following is a partial list of U.S. companies which have indicated that they are depending on overflow to

"cover the Canadian market. This happens so often, it seems evident that the U.S. publications sell space on the basis of giving coverage of Canada as well as the U.S.

Black & Webster Inc.
Baird Machine Co.
Brown & Sharpe Mfg. Co.
Blanchard Machine
American Sealants Co.
Cushman Chuck Co.
The Fenn Mfg. Co.
Fafnir Bearing Co.
O.K. Tool Co.
Millers Falls Co.
Robert E. Morris Co.
The Healt Machine Co.
Norton International Inc.
American SIP Corp.
The Colorado Fuel & Iron Corp.
Acros Corp.
Standard Pressed Steel Co.
Superior Tube Co."

(4) "Hardshaw Chemical Co., 1945 E. 97th St., Cleveland, Ohio. May 15, 1959 - made first contact with client, Mr. Molinari, He said management is satisfied with U.S.A. overflow coverage. Harshaw considers Canada as a district, not a foreign country. Molinari claimed U.S. publication salesmen claim he gets to all the big volume buyers with their Canadian coverage. Molinari was satisfied to total the Canadian circulation of the three leading U.S. plastics publications

"to quote me total figure as Canadian overflow coverage (not even suggesting duplication.)"

(5) "W.P. Manzer, Tokheim Canada Ltd., Toronto, manufacturers and distributors of gasoline pumps and compressors for service stations, stated that they depended on the overflow circulation of U.S. petroleum magazines for their advertising in Canada."

(6) "The Raymond Corporation, 183 Madison St., Greene, N.Y., Mr. Wm. C. Peck, Advertising Manager. Mr. Peck has always considered Canada to be regional rather than national. Since his policy had been only to advertise on a national basis, plus the fact that he felt that the overflow circulation into Canada of American publications which carried his advertising would give him good market coverage, he wouldn't advertise in Canadian books until this year. At the insistence of his Canadian distributor, he placed one page of advertising with us. His distributor in Canada sells 10 per cent of his volume"

(7) "Aero Commander and Engineering,

"manufacturers of a business aircraft. Miss Cobb ... advised that they were using Fortune Magazine (Time-Life, Inc.) and thought their Canadian circulation would give them sufficient coverage in Canada to meet their requirements of covering the top-level executives in Canada."

(8) "McGregor Sportswear of Canada, Guelph, Ont., established in Canada in 1958 and jointly owned by John Forsyth Ltd., and the U.S. McGregor Sportswear Co.

Apart from a total of 5 pages in one Canadian publication since October 1958, this company has done no advertising in Canadian media on their own. The extensive advertising done by the U.S. company is merchandised heavily by the Canadian company to their dealers. Is, in fact, their strongest sales argument.

The fact that this company exists at all is entirely -- perhaps "entirely" is over-stating our point and "partly" would be a better word -- due to years of 'overflow' establishing the name in Canada before any merchandise became available to Canadian dealers. McGregor of Canada has

"been able to make considerable inroads in the Canadian market on a very minimum investment of advertising dollars in Canadian media.

Walter Gorman, Vice-President, Sales, has on a number of occasions stated to me that the U.S. advertising program would 'carry' the Canadian company."

This comes up so frequently in our business that we could make a file ten times the size of this. There was one advertiser in the States who, a few years ago, cancelled their Canadian advertising. They had been using one page a month. When it was pointed out that they were jumping too quickly, that the market was coming back, they said: "We are increasing our expenditure, but we are cutting out all regional books and concentrating our efforts on more space in the national book." We pointed out that we, of course, were a national book, but in a different country. Eventually we made our point with them in that particular case, but we were fortunate to be able to get this brought to light in that way. They regard Canada as a regional territory of their own market, and they tend to put Canadian publications on the B. C. or D list, or no list, if this is what their policy happens

to be.

---EXHIBIT NO. O-108: Business Newspapers Association Magazine

---EXHIBIT NO. O-109: Business Newspapers Association Magazines (3).

THE CHAIRMAN: Mr. Craig, you still have a long way to go. I think we should take a five-minute recess and come back.

---Recess.

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MR. CRAIG: "Bausch & Lomb Optical Inc., Rochester, New York. I was advised by Mr. T. Jones, Advertising Manager of the Canadian company, about two weeks ago, that their head office have never approved advertising for us because they relied on the overflow circulation of U.S. photographic retail publications. They are using such U.S. publications as Photo Dealer, Photo Trade News, Photo Developments, etc., to sell their Balomatic Slide Projectors to retailers in this country."

"Perma-Flex Industries Ltd., press roller manufacturers, head office and main plant in Toronto, use U.S. publications to reach Canadian market in the boxmaker and paper converting field. D. Stone, President, says U.S. books cover boxmaking field for his advertising needs."

"In the case of the following firm, their reason for not advertising in our publication was overflow circulation. In U.S. counterpart publications they average about six 1/2 pages annually in each publication. The firm is "Master Addresser Company of Minneapolis, Minn. (Mr. A.J. Wright)". The following firms had several objections, one of which was overflow circulation:

Arrow Fastener Co., Inc.,Brooklyn, N.Y., -
Mr. Ed Sigler, Advertising Manager
Swingline Inc., Long Island City, N.Y. -
Mr. Owen Ward, Advertising Manager

Both of these firms sell staplers and use heavy space

in U.S. counterpart publications. In the case of Swingline, we do manage to get one page annually in the Directory."

"Re: American Textiles. There is a clear implication that the Daily News Record, published by Fairchild's, is intended to carry the primary burden of their national advertising to the trade. The circulation of this publication to my customers in the manufacturing trade is quite heavy. It is only by stressing our coverage of the retail market that we can hope to sell the American mills. An example of the situation which I run into: M. Lowenstein & Sons, Inc., New York - Mr. William W. Smith, Advertising Manager. Mr. Leonard G. Rubin, Assistant Advertising Manager - told me that the export manager is not involved in sales to the Canadian market which is considered part of their domestic operation. Mr. Charles Etcovitch, Manager of their Montreal office, tells me that he has repeatedly asked for advertising support in Canadian papers but has received none.

The foregoing is the same type of blank wall that I have run into on a number of American mills, including Dan River, Cone Mills, J.P. Stevens, Pepperell Mills, Rigel Textile Mills and a few smaller ones. Our basic problem is not entirely the overflow circulation of the American publications, but the widespread concept amongst American advertisers that Canada is just a Northern district

of the U.S.A. All the above mills are substantial advertisers in the American business press."

"Lassie Coats. Direct tie-up with U.S. manufacturer. Does no national advertising in Canada and relies entirely on Mademoiselle, Vogue, Glamour and Charm, Seventeen, to bring story to Canadian consumers. He does use tear sheets or reprints from these publications as direct mail pieces and also sends out booklet printed in States for same purpose. Does very little with us.

Home Frocks. Has cut us down considerably over last two years because of overflow circulation."

"Mr. B.E. Bostwick, Sales Manager, J. Wiss & Sons Co., Newark, New Jersey, (Manufacturers of sheet metal working hand tools selling the Canadian market) told us, November 1960, that his company depends on U.S. overflow circulation to tell about their products in Canada. For over 15 years this company has been relying on this method to do their business paper advertising in Canada."

"United Electric Controls (Canada) Ltd., Dorval, Que. Contact man is Mr. Lorne J. Inglis, General Manager. This is an American organization with a warehouse and a small assembly line here in Montreal and sell temperature, pressure and vacuum controls to marine, industrial, aircraft and other special applications. Heavy advertisers in the U.S.A. business papers -- are not willing to use

Canadian publications because of the overflow."

"Cran'all Drydock Engineering Inc., Cambridge, Mass., Mr. Paul Crandall, President. Specialize in railway launching bases. Do good business in Canada and just finished a very outstanding job at Marine Industries in Sorel. They use American Marine Log Book every month and say that this gives them sufficient coverage here in Canada."

"Grinnell Corporation, Providence, R.I. - contact man is Mr. Jackson. Their fire fighting equipment and valves are sold to Canadian shipyards. They feel that the American Marine Log Book gives them enough coverage of Canadian shipyards."

"Borden Chemical Co. (Canada) Ltd. On November 24th I contacted their Account Executive, Peter Emerson of Breithaupt Milson, who informed me that his client had been slow to start advertising in Canada because they felt the overflow from U.S. books in the paint field was adequate. It is quite clear that the overflow argument has been a decisive one on their past thinking in this field."

"Lea Products Co., 996 de Bullion St., Montreal, P.Q., have been advertising in "Metal Finishing" (an American publication). I called on this company to try and convince them to use our publication to reach the finishing industry in Canada. Mr. Reisenberg, Sr., is quite sold on the fact of using the U.S. publication "Metal Finishing". They are not using any Canadian publication to reach the

Canadian market and his reason for it is "Metal Finishing", being an American magazine, helps them with their American distribution and also reaches the Canadian market as far as he is concerned."

"The following corporations have indicated, in discussions with me, that overflow circulation of American business publications in Canada is relied on to cover, at least part of, their Canadian market:

Airetool Mfg. Co., Springfield, Ohio, Mr. Robert Gordon, Sales Manager. U.S. publications 1959 total 95 pp. Canadian publications - 1959 practically negligible.

Cleveland Twist Drill, Cleveland, Ohio, Mr. W.E. Wenger, A.M. U.S. publications - 1959 total 51 pp. No Canadian advertising.

Duff Norton Mfg. Co., Pittsburg, Pa., Howard Flood, A.M. U.S. publications 1959 total 181 pp. No Canadian advertising.

Erickson Tool Co., Cleveland, Ohio, C. Higley, Sales Mgr. U.S. publications 1959 total 40 pp. Canadian publications 1959 total 6 pp.

Jones & Laughlin Steel Corp., Pittsburg, Pa., Jack R. Hight, A.M. U.S. publications 1959 total 682 pp. No Canadian advertising.

Kennametal Inc., Latrobe, Pa., George Varner, A.M. U.S. publications 1959 total 171 pp. No Canadian advertising."

"Rose Derry of Canada Ltd., 11450 Dorchester St. E., Montreal, P.Q. Parent company, Rose

Derry Co., Newton, Mass. Products - Kantwet Crib Mattresses & Pads. Sundry other items of juvenile furnishings. U.S. budget - not known. U.S. advertising - magazines; posters; trade papers; direct mail; dealer helps; catalogues; circulars; window displays; counter displays.

Canadian advertising - consumer - nil.

Canadian advertising - trade - catalogues and one advertisement in January 4, 1961 issue of our book. This is the first trade publication advertising to my knowledge in Canada.

The Canadian Manager, Mr, Schwartz, has told me that he is assessed part of the cost of the U.S. advertising in consumer magazines and mentioned McCalls and Parents Magazine."

"Weldwood Plywood, a subsidiary of U.S. Plywood, definitely counts on some spill-over circulation of the parent company's quite extensive advertising. This is particularly so in the case of glossy consumer shelter media, but it does also affect their business paper programme, notably to the architectural field. The way this works in this particular company's case is that the Canadian company has its own advertising budget but that this has to be approved by the parent in New York. The advertising manager here has told me that a reason he has been given for holding the budget down in New York is that 'you are getting the advantage of all our advertising in magazines like Life, Better

Homes & Gardens, House & Home, etc., in Canada', so, although the Canadian firm is not actually paying directly for this spillover circulation it is definitely paying indirectly in the form of reduced advertising budget."

"Ajax Steel. This account I saw in Chicago last fall when they told me how they were covering Canadian building through the spillover circulation of American magazines. But when I took them over the differences between what they were getting from spillover and what we could offer, this opened their eyes a bit. This week I was pleasantly surprised when we received a six-page contract from this account...As our West Coast representatives have told us, the representatives from the American building books are quick to imply that a U.S. firm gets all the coverage it wants in Canada by spillover circulation."

I underline this point because it is one that keeps recurring and recurring. I have even been present when I have heard the representatives of American publications grossly exaggerate their circulation in Canada to try to justify their position. That is general. But certainly they do sell hard on this Canadian circulation, some of them.

"Acousticon-Dictograph Co. of Canada Ltd., head office New York. Used to run small campaign in Canadian business publications but according to Mr. Burgener, Canadian V.P., U.S. head

office will not use Canadian publications now; they say that overflow of U.S. publications such as Fortune carry their message to Canadians."

"Eberhardt Faber Pencil Co. (Canada) Ltd., Mr. George Chisholm, V.P. This company used Canadian business publications in the past, but for the last two years the parent company has been running broadsides in U.S. consumer publications and has relied on overflow of these publications in Canada."

"Photostat Corporation of Canada at one time used Canadian publications; this company now relies on overflow and has for the last two years."

"The following companies, Simplicity Engineering Ltd., and Esco Ltd., are Canadian subsidiaries; in each case the parent companies spend considerable amounts in U.S. business papers and rely on overflow for Canada; occasionally very small Canadian campaign is run."

"One of my accounts - John Spotton & Co. - although doing a small amount of advertising in Canada, spends the biggest portion of his budget (and recommends his American principals do also) in "Hydraulics and Pneumatics" - a U.S.A. publication. Under the present situation Spotton submits a list (approx. 400) of client and prospect names to "H-P" who in turn print a special front and back cover for the issue featuring Spotton's ad and mail it out "Compliments of...".

Unquestionably this cuts deeply into their budget.

These 400 issues are mailed from the States.

This seems to be a general practice of Industrial Pub. Corp., and they do quite a bit of 'split-run' issues for different districts."

We have listed the above in some detail because it is obvious that in our original brief we did not supply enough specific examples. It is not surprising that U.S. advertisers are becoming sold on the value of overflow circulation; it is simply a natural case of the effect following the cause. The cause in this case being the increase in overflow circulation, which has been created by deliberate action on the part of U.S.publishers to step up their distribution in Canada. Note the following tabulation:

In our original submission we quoted the gross of U.S. titles and their overflow circulation. I have repeated these figures below because there have been questions raised about the comparison of Canadian gross during the same period.

	1949	1959	Increase
Number of titles of U.S. business papers overflowing into Canada	519	1,497	288%
Total Canadian circulation per issue of U.S. business papers overflowing into Canada	225,513	1,122,580	398%

Source: Standard Rate and Data Service

	1950	1960	Increase
Number of titles of Canadian business publications	357	430	120%
Total circulation per issue of Canadian business papers	1,164,718	2,731,269	134.5%

Source: CANADIAN ADVERTISING

In our brief we pointed out that most American publishers sell their publications in Canada at very modest prices compared to the price at which they sell their subscriptions in foreign countries. They are obviously doing this to help them in the sale of advertising, because it is the policy of most of these publishers to at least get their production cost out of foreign subscriptions from countries other than Canada. It is significant that of the one million, one hundred thousand copies of business publications coming into Canada, about 40% of this is distributed by controlled circulation publications, whereas the balance is ABC or paid circulation. There can be no doubt about the reason for publishers having controlled circulation in any market. It is also of interest that the two main U.S. auditing organizations, Audit Bureau of Circulations, Inc., and Business Publications Audit, break down their foreign circulations under two headings, Canadian and, bulked together, all other foreign circulation.

Individual company briefs submitted by

Canadian business paper publishers, have reported a considerable number of business and industrial fields where the total overflow circulation of the leading U.S. publications in Canada was as much or more as the total circulation of the leading Canadian publication serving the field. While it is true there will be duplicate circulation among the many U.S. publications covering the field, American advertisers are not inclined to give this too much consideration, or don't have it brought to their attention. In fact, publishers have reason to believe that some U.S. publishers are misleading U.S. advertisers about their coverage in Canada.

I would like to submit copies - I have several - of a letter which was received by one of our publications from Scully-Jones and Company in Chicago. The operative part of this letter, in which it is turning down a Canadian dealer's request for an advertisement in one of our Canadian publications, is in the second paragraph. They quote the figure of 3747, completely ignoring the fact that much of that distribution, of course, is probably duplicated.

--- EXHIBIT O-111: Copy of letter.

Conclusion. It was demonstrated in our previous brief and in the briefs of Business Paper Editors Association, that the Canadian business publishing industry is of value to the community, as a supplier of vital business information, as a meeting

ground for businessmen. Perhaps it should be of interest to note that in our Association there are 144 members. In 1959, the last year for which figures are available in our offices, only 27 of these publications carried advertising revenue in excess of $200,000; not a very large volume of revenue. Eighty-eight of our 144 carried revenue under $100,000. In other words, approximately 65%, I think it is, of our membership is under the $100,000 bracket. But I think it is fair to say that our Association represents most of the larger publications. So I would hazard a guess that there are many of the others which are smaller than these figures would indicate.

The Business Paper Editors Association briefs also pointed out that it was also an important outlet for Canadian writers.

It was also demonstrated that some publishers are in the position to expand and to afford the luxury of consumer magazines from the profits they are making from their successful business publications.

Present dangers and future threats may weaken the business press by draining off circulation and advertising dollars in a manner that has been highlighted in this supplementary submission and in the original BNA brief.

In conclusion we should point out that there is not a really large number of big successful

business publications. It is these that will be attacked first, because these are the publications which are in the lucrative fields. We believe that the business press is facing real danger from overflow competition, from split runs and Canadian editions.

During discussion following presentation of the initial BNA submission the Chairman indicated that as he understood the position the industry was in a reasonably prosperous condition but that we did not wish it to get any worse. This is exactly the situation; we have a healthy industry, we wish to keep it that way. The very real dangers, however, are already much too apparent.

It is hoped that the Royal Commission will recommend such corrective measures that will permit Canadian business publications to compete on an equal basis now and in the future.

BNA supports the recommendations submitted by Periodical Press Association, and has no additional recommendations to make. We would hope, however, that full consideration will be given to the following two recommendations contained in the PPA submission:

a) The suggestion that statutory postal rates be made available to all the Canadian circulation of all Canadian periodicals whose circulation is audited by an independent circulation audit

organization, and/or recognized by the Postmaster-General.

b) The removal of the local postal delivery rates for Canadian periodicals.

All of which is respectfully submitted by the BNA.

COMMISSIONER JOHNSTON: Mr. Craig, starting on page 2 of your brief, the paper which I think you called Industrial Property, do you know what sort of circulation it might have?

MR. CRAIG: No, I am sorry. I just received this information last week. I can perhaps get the answer.

COMMISSIONER JOHNSTON: M.D. of Canada - I am a little hazy about its history, but wasn't there someone who told us that it was a genuine Canadian publication and that its editorial content was different?

MR. CRAIG: No, I don't think so. M.D. of Canada, to the best of my knowledge, brings in its American editorial content almost or largely unchanged. I think where that reference was made - I think we dropped it from this brief - it was the publication called Sponsor. This is a publication with the same name in the States, but it is essentially a Canadian publication.

COMMISSIONER JOHNSTON: Now, Materials Handling Engineering, is there a comparable Canadian publication?

MR. CRAIG: Yes, there is.

COMMISSIONER JOHNSTON: Have you complained to the Customs people about the absence of this "Printed in U.S.A." in Canadian advertisements?

MR. CRAIG: No, sir.

COMMISSIONER JOHNSTON: Why not? Don't you want to protect this business, or do you want this Commission to do it for you?

MR. CRAIG: No, sir. The information came to us within the last few weeks, and we will be getting - there will be appropriate action in this connection.

COMMISSIONER JOHNSTON: Now, paragraph 9:

"We asked the local printer why the American publisher handled these publications in this fashion and he stated that 'the publisher saves money my mailing the publications in Canada'".

Our rates are lower than the United States rates; is that correct?

MR. CRAIG: I would question that statement myself. I mean, that is the information we received. There are differences depending on the zones.

COMMISSIONER JOHNSTON: Your people wouldn't like a zone system in this country?

MR. CRAIG: If it was in a national company, in a country which is - we have so much geography in this country. It would seem to me to be a question of sound national policy to make the distribution cost as low as possible to all national media.

COMMISSIONER JOHNSTON: Of course, the great problem is that under the international postal agreements if we charge more on the imported magazines Maclean's are going to pay more.

MR. CRAIG: I am not familiar with that.

COMMISSIONER JOHNSTON: They have got to pay the same, as I understand it.

MR. CRAIG: I am not prepared to answer that question. I don't know the answer to that question. But I think we could make a unilateral agreement on this question. American publications coming into Canada now pay the American rates. I am not aware of any international convention which states that the Canadian Government must accept mail in Canada at rates determined in a foreign country.

COMMISSIONER JOHNSTON: Well, I am not an expert in that field either.

Now, have you been here the last couple of days?

MR.CRAIG: Yes, sir.

COMMISSIONER JOHNSTON: And were you in Toronto when advertising agencies in the ACA made their presentation?

MR. CRAIG: Yes, sir.

COMMISSIONER JOHNSTON: You recall that Mr. Yeates, I think it was, said there wasn't much to be said against or for the overflow circulation.

MR. CRAIG: Yes, sir.

COMMISSIONER JOHNSTON: I think he rather shrugged it off as of rather no consequence.

MR. CRAIG: Yes.

COMMISSIONER JOHNSTON: Do you agree with him?

MR. CRAIG: No, I don't agree with him. He may have been - I am sure he was giving his sincere opinion, and I am sure it was completely truthful as far as his own company was concerned. This brief submits a great deal of information from companies who tell us that overflow circulation is very important to them and, in some cases, all-important. I recall a firm in Galt where we couldn't get any advertisement from this company at all. They had started and had got into competition with us, and we couldn't get anything out of them at all, and I said: "I hope you don't get coverage in Canada for American magazines", and he said: "We certainly do." I could repeat many, many instances of this kind.

COMMISSIONER JOHNSTON: Here is International Business Machines advertising in Time. Do you happen to know if Canadian advertising agencies get that business, or is it handled all in the U.S.A.?

MR. CRAIG: I don't know; I don't know the answer. By the way, Mr. Warren of A.I.A., Association of Industrial Advertisers, is going to be on after lunch, and he could perhaps answer that question.

COMMISSIONER JOHNSTON: The Graphic Arts Monthly - I thought Maclean-Hunter had driven all the other printer magazines out.

MR. CRAIG: No, the Graphic Arts Monthly is a very successful magazine in the United States.

COMMISSIONER JOHNSTON: The Inland Printer was yours?

MR. CRAIG: Yes, Inland and American.

COMMISSIONER JOHNSTON: You took over the American Printer?

MR. CRAIG: Yes.

COMMISSIONER JOHNSTON: Do you happen to know if John Forsyth Limited is a Canadian-owned company now? This is paragraph 8, page 9. The way it is written here, it is suggested it might not be.

MR. CRAIG: This information came to me from one of our publications, and it states here in the brief that it is owned jointly by John Forsyth Limited and the U.S. McGregor Sportswear Company.

COMMISSIONER JOHNSTON: Pepperell Mills - I noticed in yesterday's paper an ad for Pepperell sheets. Is that a United States company or Canadian, or have they, in fact, a mill in Canada?

MR. CRAIG: I can perhaps get you the answer to that question.

COMMISSIONER JOHNSTON: I can get it, too; never mind.

Page 16, you mention Hydraulics and Pneumatics. Is there anything in Canada comparable to

that publication?

MR. CRAIG: There is not a publication specifically serving that field. You put your finger on one of the interesting little problems in Canada that Canadian publications have, that because the market is so much smaller we have to combine markets. Hydraulics and Pneumatics is a very substantial field; but there are two publications in Canada which reach the design engineer, and the Hydraulics and Pneumatics is of particular interest to a certain type of engineer. So we can compete with that type of publication as well as a general industrial publication serving the plant engineer and the plant manager.

COMMISSIONER JOHNSTON: I wonder, referring to the bottom of page 16 and the top of page 17, if you would have been better off in your presentation if you had left those percentages off? The Canadian circulation has gone up 398 per cent, you say, in 10 years?

MR. CRAIG: Yes.

COMMISSIONER JOHNSTON: But the Canadian circulation of Canadian Business Newspapers is still a way above the other by 2-1/2 times. I think that this is a case where it is perhaps a dangerous percentage. I think your case would sound better if this were not so.

MR. CRAIG: That is a good point. I thought we were answering a question which you had raised earlier in the statement, but I probably answered it incorrectly. I am sorry.

COMMISSIONER JOHNSTON: In your recommendation A, and B also, are you not asking for a further postal subsidy?

MR. CRAIG: I suppose I am.

COMMISSIONER JOHNSTON: Well, the Postmaster General will not like that. Thank you.

THE CHAIRMAN: Thank you very much.

MR. CRAIG: Mr. Chairman, there was one point which was raised yesterday in connection with

the voting. May I speak on this question?

THE CHAIRMAN: Yes.

MR. CRAIG: As you know, the Business Newspapers Association has the largest constituent number of the Periodical Press Association; we have 144 members, member publications in the Business Newspapers Association, which represents 37 houses, but we have a voting restriction that no publication -- that each publication is entitled to one vote, but that no company may have more than five votes, so that Maclean-Hunter along with four other houses each have five votes and not any more. There were two companies which had four votes, and this means there are 72 votes in the organization, of which Maclean-Hunter have five, or less than 7 per cent, so that despite the fact we have 40 members we cannot dominate this association and, as a matter of fact, in the last 20 years prior to my own taking office, we have two Maclean-Hunter presidents of the Business Newspapers Association, and we are particularly anxious that we don't even attempt to dominate the Association. We are quite conscious of the dangers in that.

THE CHAIRMAN: I think that we will adjourn now for lunch.

COMMISSIONER JOHNSTON: I have just one other question, if you don't mind, on this

3 letter. Who is this Scully-Jones and Company?

MR. CRAIG: That is an American company based in Chicago and it is doing business in the metal working field in the United States and in Canada. The company to whom the letter is addressed is the leading national distributor who had asked Scully-Jones to place an advertisement in the Canadian publication.

COMMISSIONER JOHNSTON: And they are tool makers, are they?

MR. CRAIG: They make small tools, cutting tools.

COMMISSIONER JOHNSTON: Thank you, that is all.

THE CHAIRMAN: We will adjourn now until 2.30 this afternoon.

---Luncheon adjournment.

---Upon resuming at 2.30 o'clock p.m.

SUBMISSION OF

CANADIAN AND CATHOLIC CONFEDERATION OF LABOUR

APPEARANCES:

Roger Mathieu

J. Pelletier

---EXHIBIT NO. O-112: Submission of The Canadian and Catholic Confederation of Labour

THE CHAIRMAN: Would you identify yourself and say who you are and what you represent?

MR. MATHIEU: Yes. I am Roger Mathieu, President of the Canadian and Catholic Confederation of Labour, and I am accompanied by Mr. J. Pelletier, who is an officer, and we are glad, Mr. Chairman, to submit the point of view of our organization to your Commission, and I ask permission to speak in French. Our brief has been prepared in French.

THE CHAIRMAN: Certainly.

MR. MATHIEU: And if you don't mind, I will read it and afterwards you may ask any questions and we can answer.

THE CHAIRMAN: Yes.

MR. MATHIEU: Gentlemen: The Canadian

and Catholic Confederation of Labour, which we have the pleasure of representing here today is a trade union group with a membership of one hundred thousand. Its prospects are recruited from different industries, mines and metallurgy to textile and clothing, as well as among workers in several services, white collar workers and newspapermen.

Our Confederation has, therefore, taken a keen interest in the mission entrusted to you ever since the inception of your Commission and this, for two reasons. First, because our organization is directly involved in the problem you are studying, as several thousand of our members earn their living through the newspaper industry and its parent printing and distributing industries. Moreover, the Canadian and Catholic Confederation of Labour itself publishes a periodical which is one of the most widely circulated of union publications in Canada.

We have no intention of restricting the following remarks to the immediate problems of our group. In fact, we think, and this is the second reason why we are here today, that the representative function of a trade movement greatly surpasses questions of salary, working conditions and union organization. As appointed representatives of workers in everything dealing with trade promotion,

3 we are anxious to give the C.C.C.L.'s opinions on the whole problem. We are very much aware of the importance of periodicals as an aid to culture, especially among the middle-class element. Periodicals are, in fact, the main, if not the only, reading matter of the sector of the population which we represent, and this alone justifies fully the interest we bear them.

This memorandum, therefore, gentlemen, was written with those two aspects in mind, and the suggestions therein are related to the cultural as well as to the strictly economic aspect of the problem.

The situation of periodicals: Our memorandum coming to you after a long series of other such documents, many of which provided a wealth of precise information, we do not wish to repeat in detail what you already know.

We only wish to recall certain massive and revealing facts which have, no doubt, persuaded the Commission that Canadian periodicals do not occupy their rightful place in the publications market.

For example, the fact that four out of five magazines sold in Canada are American magazines; the fact that those American magazines claim the lion's share of the commercial advertising

paid in Canada to this type of publications; the fact that only one-third of the advertising firms operating in Canada are Canadian while two-thirds are American firms or subsidiaries of U.S. firms; the fact that American magazines, using methods closely related to dumping, manage to sell their pages to copies intended for the Canadian market at much lower rates than those of our Canadian magazines, the fact that American postal tariffs are studied and designed in favour of such distribution in our country, resulting in postal deficits for which Canadian taxpayers must make up; all these facts, and many more, such as the demise of numerous Canadian periodicals because of this competition, are true evidence that such a state of affairs is very alarming for our publications.

Already, under present conditions, it has become almost impossible to launch a new widely circulated review or magazine in Canada; it may well be impossible tomorrow to keep the existing publications afloat.

We think that, faced by such a situation, we must first decide which attitude to adopt on the basic question: the existence in Canada of a cultural and political identity segregated from the United States.

The situation in Canada: In other words,

5 we must first establish whether we consider the twentieth century Canadian history as an inevitable sliding towards complete absorption of our country into the great North-American whole or as the evolution of our country into an autonomous power.

In the first eventuality, there would obviously be no problem as far as our periodicals are concerned. We would, in fact, have to discourage Canadian publishers who obstinately persist in maintaining Canadian publications; in this case, their efforts would seem absurd at all levels, the cultural as well as the economic.

We do not believe, however, that your Commission would even consider adopting this point of view. It is too far removed from the majority of Canadian people's way of thinking, i.e., that Canada, in spite of the strong attraction practiced in all areas by our southern neighbours, must persist constantly in its efforts and vigilance in order to maintain its own identity, and above all to allow each citizen to realize his own ambitions and not those established by elaborate standards outside his sphere and under circumstances foreign to his own way of living.

We think it is important to point out here that the prevalent situation of periodicals is not basically different from the prevalent

6 situation of our whole Canadian economy. It is also important, even if we must elaborate on that point later, to point out that several Canadian industries, even the most powerful and prosperous such as, for example, the pulp and automobile industries, owe their development at home only to the protection of Canadian legislations without which the wealth of our forests would cross the border as timber and pulp, and without which, finally, American cars would cross the same border, but in the opposite direction, with no one being the wiser to the fact that Canadians could contribute to their manufacture.

Anti-Americanism: The work of your Commission has caused many comments. In particular, it has raised the problem of anti-Americanism, on which it would not be pointless to dwell a moment.

The Canadian and Catholic Confederation of Labour wishes to state right at the start, that it does not harbour the slightest feeling even remotely associated with hate or resentment towards our neighbours. We do not think our Canadian culture should be founded on the negative basis of a systematic opposition to any American influence. We know how strong the temptation is, in this matter, to "establish ourselves by opposing" but we also know that it's a sign of weakness and that nothing great or lasting will come of it. Our

Canadian culture must be the fruit of our own true wealth or it is not worth cultivating.

After establishing this fact, however, we must point out that the power and magnitude of the United States raise a problem which it would be absurd to ignore. It is no less obvious that by its very dynamism and with no malice aforethought, the overflow of American activity through our borders may, very shortly, unless steps are taken to curb it, completely blot out all traces of Canadian initiative or characteristics from this continent.

In other words, the existence of a border would indicate, we think, the necessity of applying measures which would prevent this border from becoming just an illusion. It also implies that Canada should not act, in fact and in spirit, as the fifty-first state of the American republic.

And just as it would be disastrous for us to develop a Canadian way of life at cross-purposes with the American way of life and in constant opposition against its influence, so would it be dangerous to develop a pro-American conventionality within which an expression of national feeling might be taken as xenophobia and resistance to our neighbours' massive propaganda would be called anti-Americanism.

The situation in French Canada: We think that French-Canadians are in a particularly good

position to face the problem with objectivity. In the case of the periodical, in view of the language barrier which is a very important one, what the remainder of Canada fears as the "American threat", constitutes a smaller risk for us. French editions of periodicals from the United States are very rare exceptions and the wide circulation of selections only proves this point.

Moreover, the limited size of our public and the considerable transportation problems involved because of France's geographical position greatly reduces the danger of invasion of our market by French publishers.

Therefore, we have, without any special effort on our part, a much calmer attitude towards the problem of foreign competition. At first glance, we would even say that the invasion of French reviews and magazines would seem like a blessing in view of our cultural insulation.

And yet, we declare emphatically that in cultural terms, it seems intolerable to us that Canadians, whether French or English-speaking should resign themselves indefinitely to seek their intellectual fare almost entirely outside their own borders, and even more intolerable that they should accept without fighting back this massive competition which not only floods our market with foreign ideas and propaganda but also obstructs

the expression of our own ways of thinking.

Freedom of the press: As a democratic institution the C.C.C.L. is a true believer in the freedom of the press and in the free exchange of ideas and information. It is even ready, and its actions in the past have proven it, to fight for these fundamental rights of all free men.

We would be steadfast opponents of any measure of opinion trend which might obstruct these freedoms. Canadians must keep in close touch with all that is written and published abroad. It has never occurred to us that the public authorities would even dream of creating a cultural insulation which would, in a small population like ours, have catastrophic results.

Barring obscene and seditious printed matter, which would be liable anyway under the Criminal Code, it seems essential that Canadian citizens should be able to get, without administrative encumbrance, any publication which may interest him or satisfy his intellectual curiousity. We take the liberty of emphasizing the foregoing ideas which, we repeat, represent our views in this matter.

However, those views do not prevent us from being aware of another aspect of the freedom of expression.

As soon as foreign competition is

thrust upon us by means which hinder the creation or the maintenance of Canadian periodicals; if, as is actually the case, the financial power and the lure of gain gives such impetus to foreign publishers that they invade us completely and endanger the expression and the publishing by Canadians of their own ideas, then another but no less real danger is prominent and it must be avoided with as much determination as the first.

Restrictive measures: That is why, much as we dislike restrictive measures as far as the press is concerned, we think it would be fanciful to try and solve the problem submitted for your study by discarding such measures right at the start. The fundamental political philosophy of a democracy is the principle which states: the greatest freedom of the individual is the freedom of his neighbour which must also be protected. This is the basis for disciplinary measures which distinguishes between a democracy and an anarchy. We do not think that the disciplinary measures now in force in economic matters should cause us to panic whenever anything is said about applying them in the publishing field.

There is no doubt that we should be more circumspect as far as the second field is concerned. But caution does not mean inaction and we must have the courage to face the situation

squarely.

As mentioned before, this memorandum will stress the positive measures that might encourage periodicals. But we will also recommend restrictive measures because we think they are necessary and we would frown upon any hesitation to accept and examine them because of certain scruples.

Encouragement to periodicals: In the first place, what our periodicals need most is positive encouragement and generous measures admitting their importance and facilitating their operations. In this respect we wish to submit to your Commission two types of recommendations.

a) the first will deal with measures likely to emphasize the cultural importance of periodicals and to raise their standard of quality.

In this field, we think first of annual prizes as methods which have proven their effectiveness. In the United States you only need to mention the word Pulitzer to establish without the shadow of a doubt the importance of such rewards.

We believe that the Canada Council has the required authority to select a jury whose mission it would be to choose, each year, the Canadian periodicals, which, in each class, have reached the best objective, those who have taken the greatest

step forward within the year, those who have shown the most concern linguistically and artistically, etc.

Such prizes should in themselves be substantial enough and should be awarded either to the Board of Directors of the periodicals, either to newspapermen, photographs, illustrators, etc., as a personal tribute.

Of course, the Council should make sure that as much publicity as possible is given to the granting of the awards, not only to increase their value but to stress, at the same time, the fact that periodicals and the written expression of thought constitute a most important activity.

Finally, we believe that the rewards should not only underline past successes but should provide an incentive to attain perfection. For example, if a foreign correspondent should manage to earn a reward for his periodical in his particular field, the Council should, in the course of the following year, underwrite wholly or partially the development of new foreign services for this periodical. A magazine whose illustrations were remarkable would receive the means to move ahead in this art, etc.

b) the second type of encouragement, although of a negative character, is no less important, we think.

This time, it would mean eliminating as much as possible the official red tape created by our postal laws. Not only could the federal authorities lighten the postal expenses which burden a periodical's budget as soon as its circulation reaches important proportions, but it could also simplify the formalities a periodical must observe before it can claim second class privileges.

We need only recall the fuss the Canadian and Catholic Confederation of Labour's newspaper was subjected to because its subscribers did not quite meet the legal definition of a "bona fide" subscriber.

This definition stipulates that such a subscriber must have individually indicated his wish to receive such a periodical. Now, the C.C.C.L.'s members subscribed collectively, as decided at their general meetings. Because of this technicality, the Post Office Department has forced our newspaper's management to have each subscriber sign a special card and only grants us second-class privileges for those subscribers who have signed this card.

When you think of the difficulties involved in getting a hundred thousand cards signed individually throughout our territory, it's easy to understand how expensive the whole operation has been and that we have not been able to

accomplish it completely and that it must be repeated continually.

This is just one example. We could quote several others. They would prove that revision of the law as a token of positive encouragement to Canadian periodicals is an obvious necessity.

Canadian "editions": As several other groups, the C.C.C.L. wishes to state its views on certain "Canadian editions" of American periodicals. A brief inquiry has revealed that, most of the time, those editions are a farce and an indignity.

First a farce, because what is called "Canadian edition" consists of merely three or four pages added to a completely foreign periodical and most of the time those pages are prepared by foreigners who live in Canada for this purpose only. As far as printing is concerned, those "Canadian editions" are entirely fabricated outside Canada. The only Canadian contribution, besides the subjects discussed in the additional pages, is the handling of the bundles by our postal employees.

It even seems that the texts, Canadian by the subjects discussed, lose most of this distinctive quality and the slight merit of having been written on Canadian soil because they must go through a strict "rewriting" in the American offices of the periodicals concerned. That is why we consider those "Canadian editions"

a farce.

Their indecent character betrays the mind that inspired them. Not only is it normal but it is desirable that any periodical from all over the world should appoint correspondents in Canada. It is also normal that those correspondents should discuss Canadian current events from the point of view of the periodicals for which they work. We cannot blame them for serving, through their comments, the country in which the periodical is published.

But when foreigners, kept here at great expense, writing for editions stamped "Canadian" and intended for a purely local consumption, discuss Canadian current events and politics from a foreign point of view and in favour of foreign interests which are often contrary to Canadian interests, this appears to us as a glaring indignity. If we weren't afraid of sounding too vehement, we would say that those tactics are reminiscent of what we used to call fifth column strategy. We do not think a state glorifies itself by tolerating such practices; on the contrary, it shows weakness.

Maintenance of Industry: Moreover, those "Canadian" editions printed outside our borders, added to the volume of periodicals granted free entry into Canada, constitute a threat to our Canadian printing industry.

We hardly think it necessary to perorate on this aspect of the problem.

In fact, if 80 per cent of the periodicals sold in Canada are printed outside the country, it is obvious that our printing industry only represents one-fifth of what it should be. This statement, in the light of the heavy unemployment experienced today, should give us food for thought. But the situation has an even more alarming side to it. In reality, we have reached the point where even Canadian publishers are considering more and more the possibility of having their periodicals printed in the United States. This intention, recently expressed in an important Montreal weekend newspaper, points out a long-standing threat.

Besides, no one should be surprised. Our printing industry, reduced to a minimum by the massive invasion of across-the-border periodicals has not developed, either in size or quality, at the same rate as the U.S. printing industry. On the other hand our periodicals must compete with American periodicals on all points. It is no wonder that our publishers are considering extreme solutions.

We therefore believe that Canadian authorities and your Commission should study very closely this industrial aspect of the problem.

For if it is important to protect in Canada the existence of other so-called "vital" industries we really think the printing industry must be included in that category.

Distribution: The distribution of periodicals to newspaper booths, libraries and to all kinds of merchants who display and sell periodicals today also should be thoroughly investigated.

According to reliable information, there is actually real danger of monopoly in this area. Foreign interests (not American only) have for the past few years been gradually taking over all the distribution centers. Armed with powerful financial resources, it is easy for them to buy out small businesses, a great number of which were not very successful and this stage of the operation has only worried a small number of experts as yet. If, however, they do gain monopoly some day, which could be sooner than we think, the second stage will be much more alarming, as these super-agencies would then be in a position to decide for themselves, to all intents and purposes, what we shall read. Already, in view of their great importance, certain conditions are prevailing (discounts, returns, etc.) which make it almost impossible for certain types of publications

to get into the display booths.

Offering a choice: As we have already said, it will be impossible to re-establish in Canada conditions propitious to the normal development of Canadian periodicals and it also seems impossible to maintain in Canada, in its normal proportions, such a vital industry as the printing industry, unless we are resigned to the imposition of certain measures which will check the invasion of our markets by foreign periodicals. Trying to reach this goal without resorting to certain restrictions would be as impossible as trying to square a circle.

Those restrictions, however, and we are quite emphatic on this point, must in no way affect the freedom of Canadians to obtain foreign periodicals. However, being the buyers in this case, we think it is possible to conciliate those two requirements. We believe the following suggestion will provide a way to do it.

First, we would suggest free entry into Canada for all foreign periodicals as long as their Canadian circulation remains below the "rentability" figure which should be established for each type of publication.

The crux of our suggestions lies evidently in the definition of this rentable

circulation. It consists in establishing what the minimum circulation of a periodical should be to enable it to start, with an attractive profit, a truly Canadian edition. (If a more important research service were available at C.C.C.L., and if the trade problems, which are its chief concern, were not so numerous and less urgent, we would have liked to research this subject thoroughly. We think it would give results and that your Commission would gain by expending some effort in this direction, with the help of economists and newspapermen).

By "truly Canadian edition" we mean, of course, an edition written and produced in Canada by Canadians, in a proportion to be established (but which should be more than half) and entirely printed in Canada.

When the meaning of these expressions have been established, foreign publishers would have to choose between the two following solutions. From the "rentable circulation".

a) the publisher would either start printing a Canadian edition; or,

b) entry of the original edition into Canada would be taxed in such a way as to make the first solution advisable.

We believe such a measure would conciliate the different preoccupations expressed

in this memorandum.

In fact, it allows all foreign publications, particularly periodicals which are not commercial undertakings such as, for example, opinion reviews, to circulate freely among us. It also allows publications already burdened with transportation costs (English, French, European and Asiatic publications) free development of their circulation here to the point of "rentability". On the other hand, it favours the creation of Canadian editions which really deserve that name.

These, gentlemen, are the views which the Canadian and Catholic Confederation of Labour wishes to present to your Commission.

We are sure that you will consider them carefully and we wish to assure you that we are following your progress with interest, knowing that your recommendations to the Government will be responsible for important and happy results we can expect in future in the development of our periodical press, its parent industries and on the cultural and economic life of our country.

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COMMISSAIRE BEAUBIEN: Vous pourriez peut-être répondre à quelques questions en français. Vous avez certainement présenté un mémoire extrèmement intéressant, qui présente un point de vue qui n'avait pas encore été soumis ou souligné. D'après votre mémoire, je crois que vous dites que la position, en autant qu'elle concerne les periodiques de langue française, diffère des périodiques de langue anglaise. Si je comprends bien, vous êtes d'opinion que les périodiques de langue française jouissent d'une certaine mesure de protection, dont les périodiques de langue anglaise ne jouissent pas.

M. MATHIEU: Je ne crois pas que c'est ce que nous voulons dire. Ce que nous soulignons, c'est que les publications américaines constituent un moins grand danger pour les Canadiens de langue française, parce qu'il y a la barrière de la langue. Il y a une exception qui confirme la règle dans le grand tirage du Readers' Digest. Nous considérons que le revenu américain rentable constitue un moins grand danger pour le français, parce qu'il y a la barrière de la langue, mais non pas parce que les périodiques de langue française jouissent d'une protection.

LE COMMISSAIRE BEAUBIEN: Par la nature des choses?

M. MATHIEU: Oui.

M. PELLETIER: . Il y a les provinces de l'Atlantique qui nous separent de la France, et il y a le Labrador, qui représentent

plus ou moins le même problème que les provinces de langue anglaise. Notre marché est plus restreint et les distances plus considérables, ce qui en rend la concurrence des périodiques français avantageuse, par rapport à la position concurrentielle des périodiques anglais.

LE COMMISSAIRE BEAUBIEN: Ne croyez-vous pas que cette barrière de l'Atlantique est appelée continuellement à diminuer, au point de vue des périodiques? Ne croyez-vous pas que les moyens de communication s'ameliorent constamment, et peut-être dans un certain nombre d'années, un nombre "X", on se trouvera dans la même position au point de vue des périodiques français que les periodiques anglais, ou americains?

M. MATHIEU: On pourrait avoir, au jour le jour, des publications françaises, mais il restera toujours l'inconvénient des frais de transport, que les Etats-Unis n'ont pas; ils peuvent nous livrer au jour le jour leurs publications sans grands frais, en comparaison des publications en provenance d'Europe.

M. PELLETIER: Il est difficile d'imaginer, à l'heure actuelle, qu'on puisse, par exemple, poster de France un News Magazine, pour tomber ici à tel jour sur le marché canadien et au même prix qu'un News Magazine fait par les Canadiens; c'est difficile d'imaginer ça, mais ça peut arriver. Déjà, il y a beaucoup de publications françaises qui entrent au Canada français, et ça augmente par milliers chaque année; mais ça reste un objet

de luxe.

LE COMMISSAIRE BEAUBIEN: Il y a certaines publications françaises qui arrivent deux semaines en retard; cela ne fait pas de différence, en autant que la vente est complétée, car ce sont des périodiques de grande qualité. Alors, vous êtes d'opinion que la grande concurrence ne vient pas du côté de la France; c'est surtout du côté des Etats-Unis.

M. MATHIEU: Pour ce qui est du Canada en général, ça vient des Etats-Unis. Pour ce qui est du Canada français, nous sommes moins touchés à cause de la barrière de la langue, et on n'est pas en danger des publications de la France à cause de la barrière distance et des frais de transport.

M. PELLETIER: Mais elle existerait dans les magazines mensuels, par exemple, en parlant d'une compagnie etrangère qui pourrait se bâtir un monopole de distribution.

LE COMMISSAIRE BEAUBIEN: Pourriez-vous nous en raconter un peu plus long?

M. PELLETIER: C'est difficile de nommer des maisons. Nous avons voulu éviter de le faire, car nous ne bénéficions d'aucune immunité quelconque ici, et si quelqu'un considérait qu'on leur a fait un tort considérable, on devrait se retrouver en cour, mais tous ceux qui étudient le Canada français, nous sommes au courant que nous avons des syndicats parmi les distributeurs, dont l'effet est impossible à mesurer dans l'invasion du Canada français.

LE COMMISSAIRE BEAUBIEN; Par une grande firme française qui crée un monopole?

M. PELLETIER; Qui sont en train de créer un monopole.

LE COMMISSAIRE BEAUBIEN: Un monopole de distribution?

M. PELLETIER: De connivence avec un distributeur canadien, dans la province de Québec, une maison française qui achetait des librairies à la douzaine, et qui développe, de connivence avec une institution déjà installée des marchés de distribution extrèmement considérables, qui sont déjà une sorte de monopole par la majorite massive qu'ils ont. Les autres restent des agences extrèmement marginales, à l'heure actuelle, dont beaucoup sont déçus et souffrent.

LE COMMISSAIRE BEAUBIEN: C'est une societé contrôlée par des capitaux étrangers ou des capitaux canadiens?

M. PELLETIER: Des capitaux français, et qui fonctionne ici, d'ailleurs, avec son nom français. Mais c'est un phénomène que tous les éditeurs de langue française au Canada connaissent bien; et eux distribuent à-peu-près exclusivement ce qui les intéresse, c'est-à-dire, les publications françaises. Et des publications canadiennes, dans le Canada français, sont obligées d'être distribuées par des institutions marginales, qui ont très peu de rendement et qui demandent des pourcentages plus forts. Mais cela est très sérieux, au Canada français, à l'heure actuelle.

LE COMMISSAIRE BEAUBIEN: D'après ce que je peux voir, vous n'auriez pas d'objections,- je ne

dis pas qu'on le préconisera,- mais est-ce qu'une taxe fort élevée, éventuellement, pourrait faire que certains périodiques pourraient contrôler la distribution?

M. MATHIEU: A partir d'un certain tirage, nous sommes en faveur qu'un Canadien puisse pouvoir se procurer aucune publication ou édition sans tracasserie, mais après être rendu à un certain tirage qui est rentable, pouvoir avoir une édition canadienne; nous sommes alors d'accord pour qu'elles payent un impôt; mais jusqu'à un certain tirage rentable, et c'est là la difficulté que nous soulignons, c'est difficile de définir à quel point, et notre bureau de recherches ne pourrait à-peu-près pas élaborer une suggestion quant au chiffre, car ça peut varier suivant le genre de publication. C'est là que nous suggérons à la présente Commission,- qui a sûrement de plus grands moyens que nous, - de peut-être demander à des economistes et des éditeurs, de journalistes, de faire des recherches pour savoir quelles pourraient être les publications qui ont un tirage rentable. Prenons, par exemple, Paris-Match, un revenu comme celui-là, ayant un tirage de 50,000 au Canada; est-ce que 50,000 est un tirage rentable? Si oui, nous sommes d'avis qu'au-dessus de 50,000 ce devrait être taxé, s'ils ne vendent pas une edition canadienne. S'ils font une édition canadienne, rendu à 50,000 nous sommes d'accord qu'elles ne soient pas taxées. Nous favorisons à une éclosion de l'industrie canadienne, et que l'industrie soit aidee à se

développer chez-nous, et que nous ne soyons pas constamment à la mercie des pays étrangers pour nous documenter et nous cultiver.

M. PELLETIER: Nous sommes frappés par cet exemple, au moment où ce memoire commence à être redigé, on entend dire qu'un grand journal de fin de semaine songe à se faire imprimer aux Etats-Unis.

LE COMMISSAIRE BEAUBIEN: Quelles sont les raisons? Est-ce une base économique?

M. PELLETIER: Sur une base économique; ils se font imprimer à Buffalo.

M. MATHIEU: Quant à la raison, c'est que toute la section anglaise, les comics, - il y a une entreprise à Buffalo qui se spécialise et imprime ça par millions; elle est équipée pour imprimer à meilleurs frais cette partie en couleur. Ce journal était imprimé à Montréal, et si tout d'un coup il s'en va se faire imprimer là-bas, des imprimeurs canadiens sont mis en chômage. On trouve ça injuste, car ce sont des journaux qui seront achetés par des Canadiens d'expression française, et on cesse de les faire imprimer par des Canadiens pour les faire imprimer par des Américains, pour ensuite les re-vendre au Canada. Ce n'est pas normal. On devrait trouver une formule dont le patron soit libre de faire ce que bon lui semble, mais pas contre les intérêts de la publicité.

M. PELLETIER: Notre bureau nous informe que ça n'a pas l'air d'un cas isolé, mais cela a l'air, en français classique, d'un "trend". Ce ne

semble pas une exception. Il semble que les journaux à grand tirage, qui utilisent des planches américaines, vont sentir de plus en plus le besoin de se faire imprimer aux Etats-Unis.

LE COMMISSAIRE BEAUBIEN: Vous réalisez qu'il y a une différence radicale entre les périodiques américains et français au pays. Les périodiques americains retombent principalement sur l'annonce,ici au pays, pour rendre leurs choses rentables; tandis que les périodiques français ont leurs revenus, non pas par les annonces, mais de la vente de leur magazine

M. MATHIEU: Oui.

M. PELLETIER: Ceci pourrait changer rapidement.

LE COMMISSAIRE BEAUBIEN: Pour le moment, il y a une grande différence.

M. PELLETIER: Cela a changé, car depuis la guerre, vous avez quelque chose d'amusant; vous avez les mêmes savons, par exemple, vendus par les mêmes compagnies internationales qui ont leur base aux Etats-Unis. La compagnie américaine commence à se rendre compte qu'elle perd de la publicité qu'elle paye dans les magazines de France; elle a changé le nom de ses marques, et que si elle avait une uniformisation des marques, au lieu d'imposer la marque anglaise au Canada ce serait mieux. On n'a jamais vu ici une compagnie de savon changer la marque; elle appelle son savon "Turtle" - ça ne s'appelait pas "tortue" en français. Mais en France, on voit la traduction; on l'appelle "le savon

de la tortue". On paye en France une très grosse somme en publicité française, et je le sais par des contacts; on commence à trouver un peu ridicule de se ficher de la portée de la publicite, puisqu'on persiste à en utiliser au Canada français, comme les magazines viennent ici. Je sais qu'une compagnie aux Etats-Unis songe à uniformiser sa publicité française au Canada français, pour son benéfice. A partir du moment où ce sera fait, le circuit est fermé et on tombe un peu dans la même sorte de problème que les autres publications.

M. MATHIEU: La formule d'un tirage rentable au-dessus duquel il y aurait un impôt s'applique pour toutes les publications, dans toutes les langues - françaises, anglaises, ou autres. Si le danger n'existe pas dans les publications françaises actuelles comme c'est le cas pour les publications americaines, c'est susceptible de se produire un jour, et la formule que nous suggérons s'appliquerait alors.

LE COMMISSAIRE BEAUBIEN: On porte plainte contre deux grandes publications de source américaine; il y en a une qui est publiée au pays et l'autre va probablement s'imprimer au pays; et on se plaint que ces deux publications se trouvent à absorber trop d'annonces, aux depens de nos produits canadiens. Alors, ce n'est pas un remède, de simplement faire publier une revue ici, quoi que ça donne du travail.

M. MATHIEU: Il n'en est pas question dans notre mémoire ou dans notre esprit. Nous ne

nous plaignons d'aucune publication. Notre situation nous permet d'être plus objectifs; le danger nous menace, mais nous ne sommes pas aussi victimes au Canada français qu'au Canada anglais. Nous parlons des principes et de favoriser l'éclosion de périodiques canadiens, et sans viser entre les lignes une publication en particulier ou un pays en particulier. Nous croyons que les intérêts du Canada sont susceptibles d'être mieux défendus si une formule comme celle que nous suggérons pourrait être appliquée.

M. PELLETIER: En definitive, une publication canadienne est capitale aux suggestions qu'on fait; et on n'utilise pas comme une édition canadienne une édition qui serait une copie exacte et conforme de l'édition étrangère, mais imprimée au Canada. Cela pourrait être comme notre suggestion, quand on force notre opinion aux propriétaires de postes de télévision pour qu'ils donnent 51% de contenu canadien; on ne voit pas pourquoi on ne forcerait pas des editeurs étrangers venant opérer au Canada, à respecter les mêmes conditions qu'on impose à nos propres gens. La definition des publications canadiennes est capitale de la partie des suggestions que nous faisons.

THE CHAIRMAN: When we were in Montreal, Mr. Roy, representing the magazines of France; Paris Match, Marie Claire, Marie France and so on, represented rather strongly that it would be a great mistake to do anything about barring these magazines on the ground that these promoted the language and the culture of the French Canadians of Canada. Do you agree with that?

MR. PELLETIER: Oh yes; we even say it in our brief.

THE CHAIRMAN: But also you say in your brief that if those magazines reach what you call a returnablecirculation they could be moved against A and B, and the publisher would either start printing a Canadian edition, or entry of the original editions to Canada would be fixed?

MR. PELLETIER: Yes.

THE CHAIRMAN: Then, it would apply to French magazines?

MR. PELLETIER: Yes.

THE CHAIRMAN: So, you don't agree with Mr. Roy?

MR. PELLETIER: I don't see the --

THE CHAIRMAN: Mr. Roy said it would be a mistake to move against those magazines from France.

MR. PELLETIER: We don't consider we

are moving against them.

THE CHAIRMAN: But if we did in any way, if we made recommendations, he said that it would be a mistake and that the French Canadian people should have the advantage of the language and the French culture which was represented by those magazines from France, and under this arrangement of yours they would have to be excluded or they would be compelled to print in Canada?

MR. PELLETIER: No, not excluded.

THE CHAIRMAN: Compelled to come to Canada and print here or pay a tax?

MR. PELLETIER: That is right.

THE CHAIRMAN: Are you the largest labour organization in the province of Quebec?

MR. MATHIEU: The Canadian Labour Congress has a little more members than we have in the province of Quebec. We have roughly 100,000 members, and the Canadian Labour Congress in the province of Quebec -- true, it is a provincial federation -- has about 135,000.

THE CHAIRMAN: Thank you very much for your very interesting submission.

THE CHAIRMAN: Mr. Warne?

SUBMISSION OF ASSOCIATION OF INDUSTRIAL ADVERTISERS (TORONTO CHAPTER)

Exhibit No. O-113

Appearances: Mr. K.K. Warne

Mr. P.A. York

MR. WARNE: Mr. Chairman, I am Keith K. Warne, Director of the Association of Industrial Advertisers (Toronto Chapter), and Mr. York, President, is with me this afternoon.

SECTION I. The Association of Industrial Advertisers is an International Organization with 29 chapters in cities throughout North America. Of these 2 are Canadian, located in Toronto and Montreal.

While unified in objectives and basic structure, with the International organization and other Chapters, each Chapter has the utmost in autonomy.

Toronto Chapter of AIA represents industrial advertisers, advertising agencies, publishers and other related trades from Peterborough through to Sarnia.

Membership is on a personal rather than a company basis. The two main classes of membership are ACTIVE and ASSOCIATE. ACTIVE members are those persons engaged in advertising and marketing to industrial, technical and professional fields on behalf of a manufacturer, dealer or advertising agency. ASSOCIATE members are those persons who are

employees of organizations which serve the active membership directly in the production and distribution of advertising to these fields. Associate members are, in fact, largely employed as publishers representatives.

The views of these Associate members have already been put forward by their publishing associations and many of their individual publisher employers. This submission therefore does not include their views.

In short, this is a submission from the Active (advertiser and agency) members of the Association of Industrial Advertisers (Toronto Chapter). There are 65 such active members in Toronto Chapter A I A from a current total membership of 127. However, these members represent the advertising interests of a large section of Canadian industry, as outlined in Appendices "A", "B" and "C". We would like to repeat that the views reflected in this submission are the views of the individual members and not necessarily those of their companies or the companies for whom they may act as advertising agents.

SECTION II. PURPOSE OF THE SUBMISSION. Association of Industrial Advertisers (Toronto Chapter) have a very direct interest in the well-being of publications under study as they represent a major medium of advertising for active members of the Association.

Canadian publications not only play a

significant role in the cultural, political and social life of our country, but they are absolutely vital for the economic development of our country.

As advertising people with a very real interest in Canada's primary and secondary manufacturing industries, we believe that our country's economic future depends on greater technological achievement and advance. This future is, at the least, quite unsettled, because of much stiffer competition from lower wage and more highly automated countries.

In an era of rapidly moving technological standards, text and reference books are out-dated daily. Scientists and businessmen are therefore finding that business publications are essential for their contemporary education, their technological advancement and their financial success.

A country with a unique set of economic conditions cannot depend on the technical and business press of other countries if it is to maintain its economic vigor and growth. It must have an active, alert and aggressive business press that assumes responsibilities in promoting the advancement and well-being of its industries.

It is because of the very basic and vital interests of our Active members in these points, that we submit their views and opinions on major questions now before the Commission.

SECTION III. OPINIONS OF MEMBERS.

(A) How Members Opinions Were Obtained. To obtain an expression of opinion of A I A (Toronto Chapter) active members a questionnaire was mailed out in the latter part of November, 1960.

This questionnaire, like any other, has natural built-in limitations. However, comments were quite freely made by members replying and provided the A I A committee with adequate guidance.

This submission is, we believe, a proper statement of opinions of our active members on questions before the Commission. Some 42% of active members completed the questionnaire, which we feel is a good representative return on a questionnaire of this nature.

The Commission will appreciate that this is a consolidation of the opinions of men skilled in industrial advertising, but not necessarily in publishing, customs, taxation or postal matters.

Percentage answers to questions and comments are detailed in Appendix D.

(B) Summary of Members Opinions. In the main, our members feel that Canadian publishers are entitled to equal protection with Canadian manufacturers and Canadian printers.

However, the members are equally divided in opinion as to whether Canadian publications have been prejudicially affected by foreign competition up to the present.

They agree with the contention that

split-runs wholly or partly for Canada and "Canadian" editions of foreign publications constitute unfair competition.

And they suggest that there should be a tax tariff or other penalty on split-runs printed outside of Canada and either a similar penalty on "Canadian" editions and/or that publishers of such editions be required to print them in Canada.

But, our members do not agree that overflow circulation from foreign publications represents unfair competition nor do they agree that there should be any penalty imposed on Canadian circulation of such publications.

SECTION IV. Summary of Opinions as They Apply to Consumer Publications. While the largest portion of our members' industrial advertising budgets would undoubtedly be spent in business publications, many of our members do use consumer publications.

This is the area where competition from foreign publications has been most marked to date and the area that perhaps has been most completely discussed before the Commission.

We suggest that if Canadian publications are to grow, and perhaps even survive, in the consumer field, it would appear necessary to restrict or remove the unfair competition from "Canadian" editions and "split-runs" of foreign publications.

As advertisers and advertisers' agents

our responsibility to our employers demands that we select publications that will deliver the most suitable audience at the lowest possible cost. It is not reasonable to assume that national interests have, can or will be such a major consideration that they will over balance the cost advantages that foreign publishers have and can enjoy with "Canadian" editions and "split-runs". As the main source of income for publishers is advertising, it is essential that thorough and effective legislative measures be taken that will bring costs into line between Canadian and foreign publishers competing for Canadian advertising revenue. If no such action is taken, Canada may soon, in these areas, be without the medium of the printed word which is basic to the development of our national culture.

And if, as alleged, because of current postal regulations the Canadian government is underwriting the distribution of such periodicals; it would appear that this is certainly not in the best interests of Canadian publishers or Canadians in general.

However, our members suggest, and quite strongly, that the public should be allowed access to such periodicals as they may wish to read. It is suggested that overflow circulation has provided stimulating competition for Canadian publications and may be responsible for some of the improvements made to them in recent years.

SECTION V. Summary of Opinions as They Apply to Business Publications. The threat of split-runs of foreign publications and "Canadian" editions of such publications has just recently become apparent in the business publication field.

This threat, if not checked, could result in consequences far more serious than those anticipated in the consumer field.

Canadian business publications are particularly vulnerable, although they have been most successful and have apparently subsidized the publishing of some consumer publications.

We would not argue with the contention that current postal regulations are unfair. If this is the case, we suggest remedies be taken to improve these regulations.

We would, however, suggest that it would be unfortunate if anything interfered with the dissemination of vital information to Canada's primary and secondary industries. Indeed Canadian publications can probably best counteract the problem of overflow circulation in this area themselves. Canadian publications that properly serve their markets undoubtedly interpret foreign developments. By doing so and by continuing to improve their editorial content they will certainly lessen the desire and need of Canadians to read foreign periodicals.

We would also caution against any move

to demand a certain percentage of the editorial content of any publication being "Canadian". That is, insisting that a set portion of the editorial content be written by Canadians and/or devoted to Canadian subjects. There is a definite need for publications serving the interests of Canadians to fully and regularly report on economical, technological and business developments - at home and abroad.

We believe Canada's business publications can continue to prosper and improve if the threat of unfair competition from split-runs and "Canadian" editions of foreign publications is removed.

SECTION VI. Prospects. We have suggested that Canadian business publications are particularly vulnerable to unfair competition posed by "Canadian" editions of foreign business periodicals and "split-runs" wholly or partly for Canada. This we believe deserves amplification so that the urgency of the situation will be apparent to all.

According to figures obtained from publishers' associations, Canadian publications earned gross advertising revenues of some $30,000,000 in 1959. Industrial publications with revenue from industrial advertisers accounted for some 60% of this total or approximately $18,000,000. Of this $18,000,000 some 25% or $4,500,000 was for advertising purchased and placed from the United States. In the case of some publications the percentage of revenue obtained from the U.S.A. was as high as 50%.

We suggest that if "Canadian" editions and split-runs of U.S. publications multiply unchecked, that a large part of this revenue from the U.S.A. will be lost to Canadian publications. This in itself could make the publishing of such periodicals economically impossible and could quickly lead to the collapse of many Canadian business publications.

In addition, because of relatively limited revenue available to Canadian publishers compared to their counterparts in the United States, Canadian publishers would be at a disadvantage in competing for Canadian advertising dollars if they were faced with daily competition from major U.S. business papers.

Other unfortunate results could follow, we believe, if this unfair competition is allowed to grow unchecked. If "Canadian" editions and split-runs of U.S. business papers became readily available in a number of markets, the tendency would be for U.S. subsidiaries in Canada to have the U.S. advertising personnel handle the placing of such advertising.

This could in turn lead to a major part of the advertising decisions, of U.S. subsidiaries in Canada, being decided in the United States. And certainly would tend to limit the responsibilities of Canadian advertising personnel and materially affect Canadian advertising agencies.

As advertising is well integrated with

sales management, such a trend could also lead to a lessening of the authority of such persons in Canada. In fact, it could very quickly wipe out the responsibilities that Canadian subsidiaries have, in many cases, spent a long time in acquiring.

We suggest that a good many, if not the major portion, of American subsidiaries operating in Canada started as virtually branch sales organizations. They have, we suggest, acquired more authority, relative to similar branch sales organizations in the United States, only because of regulations Canada requires to stimulate the growth of industry.

It can be questioned whether these subsidiaries would have ever achieved their present authority if it had been possible to retain a good section of the advertising and related sales decisions in the United States.

We therefore suggest these unfortunate developments could follow if action is not taken promptly to limit "unfair" competition by foreign periodicals.

SECTION VII. Recommendations. We respectfully suggest to the Royal Commission on Publications the following courses of action:

1. That, as has been amply demonstrated in many submissions to the Commission, "Canadian" editions of foreign publications basically do not make any additional contribution to the cultural or economic well-being of Canada that would not be

available in like measure from access to the domestic editions of those foreign publications; that recommendations, therefore, be made to the government to assess a penalty on "Canadian" editions of foreign publications so that their present costs of operating in Canada would be brought into line with costs of Canadian publishers. This would allow all publications to compete on a fair basis.

2. We would suggest similar action to #1 be taken to restrict split-runs of foreign publications wholly or partly for Canada.

3. We would suggest that any recommendations re #1 and #2 to the government should not take the form of imposing an advertising tax. It has been demonstrated to the Commission that such a tax has been tried and found unsuccessful in the past. Further, such action would represent an unfortunate step that might impose an unfair and extra burden on many of the most aggressive sections of Canadian business.

4. We would suggest that action as indicated in #1 would be preferable to any ruling requiring a set percentage of a publication to be of "original Canadian content". We believe that it would be most difficult to define "original Canadian content", and that such action would not necessarily satisfy the requirements of Canadian readers and might hinder the development of Canadian publications.

5. That as it is vital for Canadians to have information from abroad, that no direct action be recommended that would deprive Canadians of access to foreign periodicals.

6. That if inequalities in international postal regulations have resulted in the subsidization of the distribution of foreign periodicals in Canada at the expense of the Canadian taxpayer and to the disadvantage of Canadian publishers; that recommendations be made to the government for action to remove such inequalities.

APPENDIX "A"

COMPANIES OF INDIVIDUAL ADVERTISER MEMBERS:

Phillips Electrical Co. (1953) Ltd.
Brockville.

Anaconda American Brass Ltd.
New Toronto.

Canadian Kodak Co. Ltd.
Toronto

Continental Can Co. of Canada Ltd.
Toronto

Federal Pacific Electric of Canada
Toronto

Hinde & Dauch Paper Co. of Canada Ltd.
Toronto

Triangle Conduit & Cable (Canada) Ltd.
Scarborough

Union Carbide Canada Ltd.
Toronto

Canadian General Electric Co. Ltd.
Electronic & Tube Dept.
Toronto

The White Motor Co. of Canada Ltd.
Toronto

Flintkote Co. of Canada Ltd.
New Toronto

Canadian Johns-Manville Co. Ltd.
Port Credit

Canadian Acceptance Corp. Ltd.
Toronto

Canadian Trailmobile Ltd.
Scarborough, Ont.

W.L. Ballentine Co. Ltd.

Alloy Metal Sales Ltd.
Toronto.

Canadian General Electric Co. Ltd.
Apparatus Division
Peterborough

Black & McDonald Ltd.
Toronto

Goodyear Tire & Rubber Co. Ltd.
New Toronto

Westeel Products Ltd.
Toronto

Dow Chemical Co. of Canada
Sarnia

Automatic Electric Sales (Canada) Ltd.
Toronto.

CLM Industries
Toronto

Fruehauf Trailer Co. Ltd.
Dixie

International Nickel Co. of Canada
Toronto

Honeywell Controls Limited
Toronto

Thompson Products
St. Catharines

Amalgamated Electric Corp. Ltd.
Toronto

Canadian General Electric Co. Ltd.
Industrial Products
Toronto

Edwards of Canada Ltd.
Owen Sound

APPENDIX "B"
NAMES OF ADVERTISING AGENCIES WITH INDIVIDUAL MEMBERS

Heggie Advertising Co. Ltd.
Toronto

MacLaren Advertising Ltd.
Toronto

Brian E. Brown
Advertising & Public Relations
Scarborough, Ont.

Ellis, May & Chadwick Ltd.
Toronto

Ronalds-Reynolds Advertising Agency
Toronto

Stanfield, Johnson & Hill Ltd.
Toronto

Industrial Advertising Agency Ltd.
Toronto

Goodis, Goldberg, Dair Ltd.
Toronto

Walsh Advertising
Toronto

McConnell, Eastman & Co. Ltd.
Toronto

Vickers & Benson Ltd.
Toronto

Albert Jarvis Ltd.
Toronto

Thompson-Petersen Advertising Agency Ltd.
Toronto

Cockfield, Brown & Co. Ltd.
Toronto.

McKim Advertising Ltd.
Toronto

Mel Welsh Advertising
Toronto

Presentation of Canada Ltd.
Toronto

APPENDIX "C"

Selection of advertiser companies served by advertising agencies with members in A I A (Toronto Chapter)

Abitibi Power & Paper Co. Ltd. Toronto

Algoma Steel Corp. Ltd. Toronto

Babcock-Wilcox & Goldie-McCulloch Ltd.

Coleman Lamp & Stove Co. Ltd.

The Continental Can Co. of Canada Ltd.

Dow Corning Ltd.

Duplate Canada Ltd.

Fiberglas Canada Ltd. Toronto

Ford Motor Co. of Canada Ltd.

Goodyear Tire & Rubber Co. of Canada Ltd. Toronto

International Nickel Co. of Canada Ltd. Toronto

Pilkington Glass Ltd. Toronto

Provincial Paper Ltd. Toronto

A.V. Roe Canada Ltd.

Seabreeze Mfg. Ltd.

Sherwin-Williams Co. of Canada Ltd.

Steel Co. of Canada Ltd. Hamilton

Toronto Elevators Ltd. Toronto

Allied Farm Equipment Ltd. Winnipeg

Associated Electrical Industries (Canada) Ltd. Toronto

Dominion Tar & Chemical Co. Ltd.

Cooksville-Laprairie Brick Ltd.

Dow Corning Silicones Ltd.

Windsor Paper Co. Ltd.

Arrow-Hart & Hegeman (Canada) Ltd. Toronto

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Canada Sand Papers Ltd. Toronto and Preston

Canada Valve & Hydrant Co. Ltd. Brantford

Concrete Pipe Ltd. Toronto

Crouse-Hinds Co. of Canada Ltd. Toronto

Daystrom Ltd. Toronto.

Dawe Instruments Ltd. (Cdn. Div.) Ottawa

Electro Hydraulics (Canada) Ltd. Toronto

Fischer & Porter (Canada) Ltd. Toronto

Flintkote Co. of Canada, Long Branch, Ont.

Lucas-Rotax Ltd. Toronto

Mason Neilan Regulator Co. Ltd.

McKague Chemical Co. Ltd. Toronto

Orenda Industrial Ltd.

Triangle Conduit & Cable (Canada) Ltd. Toronto

Atlas Powder Co. Canada Ltd. Brantford

Bakelite Co. Div. of Union Carbide Canada Ltd. Belleville

Dunham-Bush (Canada) Ltd. Toronto

Kent (Canada) Ltd. George Toronto

Canadian Ice Machine Co. Ltd.

Consolidated Diesel Electric Corp. of Canada Ltd.

Square "D" Co. of Canada Ltd.

Standard Iron & Steel Works Ltd.

Alloy Metal Sales Ltd.

Brantford Coach & Body Co. Brantford

Canadian Pittsburgh Industries Ltd.

The Glidden Co. Ltd. Toronto

Imperial Oil Ltd.

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Page-Hersey Tubes Ltd. Toronto

Pedlar People Ltd. Oshawa

Westell Products Ltd. Toronto

Armco Drainage & Metal Products of Canada Ltd. Guelph

Black & Decker Mfg. Co. Toronto

General Motors Diesel Ltd. London

AtlastSteels Ltd. Welland

Cities Service Oil Co. Ltd. Toronto

Corning Glass Works of Canada Ltd. Toronto

Dominion Magnesium Ltd. Toronto

Iron Fireman Mfg. Co. of Canada Ltd.

Philips Electronics Industries Ltd. Toronto

Stewart-Warner Corp. of Canada Ltd. Belleville

Canadian Foundries & Forgings

Carrier Engineering

Alsco Aluminum Co.

Canadian Thermos Products Ltd. Toronto

Dunlop Canada Ltd. Toronto

National Carbon Co. Toronto

Polymer Corp. Ltd.

Acme Machine Tools Division, Toronto

Baker Instruments Ltd. Toronto

Canada Iron Foundries Ltd. Montreal

Canadian Controllers Ltd. Scarboro

Electric Storage Battery Co. (Canada) Ltd. Toronto

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American-Standard Products (Canada) Ltd. Toronto

Bridge & Tank Co. of Canada Ltd. Hamilton

Cyanamid of Canada Ltd. Toronto and Montreal

Canada Wire & Cable Co. Ltd. Toronto

Robertson-Irwin Ltd. Hamilton

APPENDIX "D"

QUESTIONS, ANSWERS and COMMENTS
from A I A QUESTIONNAIRE TO MEMBERS

ANSWERS AND COMMENTS TO QUESTION # 1

"Do you agree with the allegation as made to the government - "That because of inequitable competition from foreign periodicals of various forms the publication of Canadian magazines has been prejudicially affected"?

YES - 50%. NO - 50%.

No - certainly not. My personal view is that competition has promoted a high standard of Canadian publication.

No - I believe the U.S. competition has made the Canadian publications strengthen their editorial writing and spruce up the publications which otherwise would not have been done.

Yes - Canadian magazines are already hampered by the smallness of their market. To have to compete against either dumping or subsidize "Canadian" issues adds further to their problems.

Yes - I do not like the word "protection". Would suggest that as these competitive type magazines are using Canadian mails - that a heavier postal charge be made against U.S. magazines when they enter this country to equalize the situation.

No - "water finds its own level" for example if there was a comparable publication in Canada to Time I'd read it and advertise in it.

No - foreign periodicals represent no

Answers and Comments to Question #1 (contd)

different form of competition than is found in radio and T.V. from U.S. stations. It is high time publishers stopped crying about this so-called problem and got busy in proving their publications so that Canadians will prefer them to others.

No - we buy any publication for what it gives us in editorial content. If Canadian publishers cannot edit to what Canadians want, theirs is the problem.

No - I agree there is competition, but it is most equitable and while it affects Canadian publications it has not necessarily been prejudicial. Without competition of this type, Canadian publications might be worse.

Yes - Note decrease in number of Canadian consumer publications. Practically no new one starting in spite of this period of unparalleled prosperity.

No - the Canadian public buys and reads what it wants ... the advertisers buy what they want ... magazines publishers have record advertising income and circulation.

No - the industrial publications that carry any Canadian advertising lineage generally do so because their technical excellence cannot be matched by the Canadian counterpart.

No - what do we think of the Russian policy which permits wide circulation of American publications?

ANSWERS AND COMMENTS TO QUESTION # 2

"If your answer to the above (Question # 1) is in the affirmative, do you think that Canadian periodicals are entitled to some form of protection?"

YES - 100% (All of those who answered Question # 1 in the affirmative - 50% of those replying - definitely felt that publications were entitled to some form of protection)

Yes - could take the form that a U.S. publisher cannot distribute in an unrestricted manner in Canada unless he has at least one book coming into the country in the French language. Generally, I am opposed to tax tariffs and any penalty devised should take into account the composite and difficult Canadian advertising problem.

Yes - actual protection please - not token.

ANSWERS AND COMMENTS TO QUESTION # 3

"It has been alleged that some of the forms of unfair competition are:

(a) Foreign publications' overflow circulation.

(b) Split runs wholly or partly for Canada.

(c) Canadian editions of foreign publications with largely foreign editorial content.

Do you think that any of these represents unfair competition to Canadian publications?"

Answers and Comments to Question # 3a

"Do you think foreign publications overflow circulation represents unfair competition to Canadian publications?"

YES - 35%. NO - 65%.

Yes - if a Canadian edition is to be Canadian then it must be "Canadian" written and contain articles required by Canadian readers.

No - this unfair competition in my opinion will just make them work a little harder to better their own publications. Without this competition they might tend to become stagnant.

No - you can't stop an ocean unless you dam it (there is little use damming).

No - Canadian publishers must meet foreign publications on their own ground, when those foreign papers are frankly foreign, and attempt to attract readership on the basis of content and

Answers and Comments to Question #3a (contd)

quality alone.

Yes - again I disagree with the word unfair. They are legitimate business. It is in the best interests of Canada to negate all of these advantages that U.S. publications enjoy in order to create a healthy environment for our own business press.

No - if the editorial format when carried in a publication is good it will be read regardless of its origin. I do not believe that the circulation of an overflow publication is bad.

No - competition is fairly necessary.

No - I like to compare this tempest in a tea-pot to the Buy Canadian campaign. I will always buy Canadian provided - one, quality is good and two the price is competitive. If these two conditions do not exist then I will purchase the product that meets them regardless of what country of origin (except iron curtain). The same holds true for magazines. We are in a highly competitive age as both advertiser and reader. I'm going to buy the product that gives me the best value. The magazine that delivers the audience I want gets my advertising. The one that gives me an interesting book to read gets my money, even if more expensive.

No - I doubt if the overflow would ever amount to anything (on this point I might stand corrected).

No - overflow circulation is in no way unfair. The Canadian public would be handicapped

Answers and Comments to Question #3a (contd)

if these books were denied them. Also, they do not compete for the advertisers' dollar.

Yes - from the advertisers' standpoint, the U.S. overflow presents a problem not because of numerical total overflow circulation but because of the acceptance of many of these books as the "key" book in the segment of an industry which the advertiser is trying to reach through mechanized (all except direct selling) promotion. Accordingly, the advertiser's confidence is decreased in the Canadian counterpart publications. Since it is impractical to utilize U.S. publications to reach an insignificant portion of the U.S. books combined U.S. - Canadian circulation; Canadian advertisers seek other forms of mechanized promotion providing a more acceptable return for his advertising dollar spent. This would tend to be direct mail, thereby resulting in an immediate reduced revenue to Canadian publishers.

Yes - it is impossible for Canadian trade publications to out-class their U.S. counterparts on a continuing basis without adequate revenue.

Answers and Comments to Question #3b

"Do you think that split runs wholly or partly for Canada represent unfair competition to Canadian publications?"

YES - 65%. NO - 35%.

Yes - this should be stopped.

No - if the split run for Canada helps to

Answers and Comments to Question #3b (contd)

improve the standards of Canadian publishing I believe that it does not do any harm.

Yes - split runs give very little advantage to Canadian readers and simply allow U.S. publishers to take off a sizeable piece of Canadian advertising money for the privilege of using their circulation.

No - Canadians have a built-in resistance to U.S. advertising that flops in.

Yes - if a Canadian publisher has a competitive paper.

Yes - but only if it directly competes with a Canadian publication.

Yes - a split run wholly or partly for Canada does start to get a little closer to the problem area, in that it is a decided effort to filch advertising dollars from Canadian books.

No - don't let's pretend all material in Canadian publications has been researched, written, photographed by Canadians on "Canadian" subjects in Canada - so what is unfair?

No - split runs, if they accept Canadian advertising, provide a means for Canadian advertisers to reach audiences in some cases not covered by Canadian publications. Canadian readers are entitled to read these books and they will buy them regardless of cost.

Answers and Comments to Question #3c

"Do you think that Canadian editions of foreign publications with largely foreign editorial content represent unfair competition to Canadian publications?

YES - 65%. NO - 31%. NOT SURE - 4%

Yes - but only if there is a similar Canadian publication.

Yes - but only if Canadian publisher has competitive paper.

No - whether we like it or not, Canada is a 51st state! I would rather read U.S. News because this has a very great effect on Canada's future.

No - since when did U.S. news become classified as foreign. Personally I feel our economies are so closely tied to the South that I've got to be interested.

Yes - certainly agree that this is a form of unfair competition.

Yes - this is the most unfair of the lot. The books are not Canadian and masquerade under a pseudo Canadian facade to obtain advertising dollars while at the same time giving little in return in the way of editorial material or content.

Yes - it is certainly difficult to compete with a U.S. publication as not spending as much as Canadian publications on staff etc. However, where does legislation stop if it is put in. Certainly it would go on to U.S. owned companies of all kinds.

Answers and Comments to Question #3c (contd)

Yes - personally I can't see why people would be interested in what was happening in the industrial field down in the States.

Yes and No - "Fuel Oil News of Canada" yes to a point "Time" no - or why would over 200,000 Canadians subscribe or buy at $7.00 a year. What people want they want.

No - Canadian readers want these books If Canadian edition is not available, they will buy U.S. editions in which Canadian advertisers cannot afford to advertise. U.S. subsidiaries in Canada would automatically have a larger advantage if Canadian editions were eliminated.

No - if Canadians are interested in events outside of Canada, they will find material.

Yes - this is getting very close to the line, particularly if special rates are available for the Canadian edition.

ANSWERS AND COMMENTS TO QUESTION # 4

"Certain remedies have been suggested by those who feel there is an element of unfair competition in the present situation.

"Do you agree or disagree with the following remedies?"

Question #4a

"The government should require publishers of Canadian editions of foreign publications to print such editions in Canada."

AGREE - 73% DISAGREE - 27%.

Disagree - why should they. In radio or T.V. stations you can't do this and it is not possible to prevent its signal from being picked up in nearby Canadian points. Should U.S. industry be forced to locate in Canada if it wants to sell here? No of course not.

Disagree - foreign suggestion and flavour is important.

Agree - this would be helpful to the Canadian economy

Agree - if there is to be a Canadian edition (and this I disagree with entirely) it should certainly be printed in Canada. Canadian editions give U.S. publishers huge advertising revenue, why let them have the gravy too.

Agree - this appears to be a logical thing to demand. Reader's Digest do it apparently.

Agree - for strictly economic reasons they make their money here why not spend it here.

Question #4a (contd)

Agree - how else can the Canadian editors be on top of current articles and make them timely.

Agree - if this is impossible then there should be a tax or tariff.

Disagree - it should not be necessary to arrange to print in Canada.

Disagree - some do ... some will ... some will not. Thus the public or audiences (who couldn't care less!) might be the loser if useful publications are not published due to printing legislation.

Agree - should force not only printing but completely separate and original editorial material and staff.

To be called a "Canadian edition" it should be significantly different from the foreign version but we cannot legislate the inclusion of a set percentage of Canadian written material. Canadian editions should be printed in Canada.

Agree - most definitely.

Answers and Comments to Question #4b

"That there should be a tax tariff or other penalty imposed on the circulation of Canadian editions printed outside Canada?"

AGREE - 65%. DISAGREE - 31%. NOT SURE - 4%.

Agree - without this provision it would be impossible to require publishers of Canadian editions to print such editions in Canada.

Disagree - some publications may have something to offer that is not obtainable in Canada. Why penalize?

Answers and Comments to Question #4b (contd)

Agree - to force the mechanical assembly and printing of Canadian editions in Canada is desirable.

Agree - yes to the point of removing profit on this type of circulation.

Disagree - if it is imposed, the reader will pay ... or not pay. Many educational publications might either not be started or might be discontinued - again the audience is the loser.

Agree - a tax tariff is one thing ... would prefer to see some other form of penalty such as postage regulation change.

Agree - if it can't be arranged to have these editions printed in Canada.

Agree - if it is not acceptable to arrange for these editions to be printed in Canada.

Agree - only to the point of giving Canadians the calibre of writers that can be afforded by U.S. publications.

Disagree - how could a tax tariff boost the quality of Canadian publications? This is just running away from the main problem.

Disagree - requiring publications to print in Canada seems wiser.

Disagree - on Canadian editions ... Canada should charge a postal surcharge for handling their material. This would leave us clear of a charge re freedom of the press.

Answers and Comments to Question #4b (contd)

Disagree - if a tax is applied in the publishing field it would have to be much broader and carry into all manufacturing and business areas.

Disagree - tariffs are provocative and retaliatory.

Disagree - this suggestion will not solve anything instead of building up protection for the publishing industry why don't Canadian publications try and sell abroad propagating the Canadian way of life. The way Americans are doing it now. We have a story to tell about a great country, let's explore this information rather than hiding our head in a bushel and building a great wall over our shoulders.

Answers and Comments to Question #4c

"That there should be a tax tariff or other penalty imposed on Canadian circulation of split runs printed outside of Canada?"

AGREE - 69%. DISAGREE - 27%. NOT SURE - 4%.

Disagree - dead set against protectionism. In favour of free enterprise without artificial barriers. Let's ... fight our own battles without asking for government interference.

Yes - it is certainly difficult to compete with the U.S. publications that is not spending as much as Canadian publishers.

Agree - for U.S. magazines split run with advertising to Canadians. These should not be taxed. But we should charge heavy postal rates for handling

Answers and Comments to Question #4c (contd)

them as they come in this country.

Disagree - split runs should be handled by making them print in Canada or else let them in because you can't stop an ocean.

Agree - only to have equitable publishing expenses.

Disagree - would agree only in cases involving competitive papers. Has Reader's Digest a competitive paper in Canada?

Agree - if there is a competitive Canadian paper.

Agree - tough one to answer ... but once again postage regulations might offer some solution.

Agree - split runs should be barred from entry - some philosophy as anti-dumping laws.

Disagree - these books would still enter Canada and the tax would only serve to raise our cost of doing business or cost of living. An excessive tax would deprive some Canadians of the opportunity of reading foreign books.

Answers and Comments to Question #4d

"That there should be a tax tariff or other penalty imposed on Canadian circulation of all foreign publications?"

AGREE - 31%. DISAGREE - 65%. NOT SURE - 4%.

Disagree - don't think we need to go this far. It wasn't a problem until the pseudo Canadian books started some years ago.

Answers and Comments to Question #4d (contd)

Disagree - this is not so important. However if we set this up on postal charge rather than tax tariff the same ruling can apply and our publishers will benefit from the reduced circulation of competitive material.

Disagree - Canadian public should have unrestricted use of any publication that they want to read.

Disagree - definitely.

Disagree - I think foreign publications circulating in Canada are fair competition, because they do not pretend to represent any country other than the country of origin. A plague on Time and Reader's Digest.

Disagree - some publications, particularly business publications, have no worthwhile counterpart in Canada, some have none. Why penalize readers of business publications?

Disagree - it would only raise the news stand cost of the books and most Canadians would still buy them at even twice the present price. It in no way would help Canadian publishers.

Agree - post offices should not lose money in distributjion of any foreign periodicals.

Disagree - are you going to try and cover European as well as U.S. technical books?

ANSWERS AND COMMENTS TO QUESTION # 5

"Do you feel that Canadian publications should get equal protection with Canadian manufacturers and Canadian printers?"

YES - 69%. NO - 19%. NOT SURE - 2%.

No - I do not approve of protection ... I work for a company with tremendous foreign competition but we don't go running to the government for help. Instead we try to improve our products so that the public will want to buy them.

Yes - because we are a small nation with a small market. Our manufacturing costs are higher in proportion. This difference must be equalized if we want to keep our publishers in business. It is essential to our Canadian way of life that they remain.

Yes - in theory but don't feel that advertisers should pay the penalty as we did the last time around.

No - we should earn our "preference" for Canadian readers' minds.

Yes - sounds fair enough.

Undecided - depends upon whether or not the publisher produces a competitive paper. Tariff restrictions are imposed on products of a class or kind made in Canada. Same should be applied to publishers' products.

Yes - as Canadian business ventures, the interests are inter-related and therefore, the protection should be equally proportioned.

Answers and Comments to Question #5 (contd)

Yes - this seems fair enough on the surface, but goodness knows how it can be handled in light of changing conditions.

No - the shoe industry is protected, total result is not good for the public! How can you compare shoes, food, etc. to publishing - we are supposed to be free to read what we wish.

Yes - at least.

No - Canadian manufacturers and printers have only limited protection even with our complicated tariff laws. It is one thing merely to make Canadians pay more for a product but quite another to restrict the flow of technical information and knowledge into our country that is already struggling to keep up with foreign advancement.

Not sure - only to a degree - where they are being strictly competitive. Only a very few are.

Not sure - don't know what this is, other than usual tariffs.

Yes - if other industries have tariff protection there is no reason why the publishing industry should be left out in the cold.

COMMENTS TO QUESTION # 6

"Do you have any other comments not covered by the above questions?"

I object to the token of Canadian content in U.S. books for the same reason I object to condescending U.S. T.V. commercials which allow that the product is available in Canada.

A study of methods for improving Canadian publications should be done to make them competitive.

I think that we should attempt to sell the Canadian publications on their individual merit and not as pallid imitations of a U.S. product.

Freedom of the press to give expression of our national thought is essential. A U.S. owned and dictated press would inflict U.S. opinions upon the Canadian mind and might be contrary to our best interest. Also, we must keep an open channel in which Canadian opinions can express themselves.

While I'm not fully familiar with the postal regulations, it would seem that there is justification for charging postage in Canada for carrying U.S. publications providing that the U.S. charges us for carrying Canadian publications.

The only constructive move the Government can take is to insure that a so called Canadian edition of a foreign book is to some degree different from the foreign article. This could be in style, editorial content, or any other way that makes the book significantly different, but I would resist any tendency to regulate the amount of Canadian

Comments to Question #6 (contd)

originated or written material. It would only be appropriate that the "Canadian" editions carrying Canadian advertising should be printed in Canada.

Also limit to 10%, U.S. or foreign ownership in any Canadian publishing company. How else can we preserve our national identity and protect it from foreign "opinion molders".

The competition of Reader's Digest, Time, Newsweek etc. to Canadian publishers has succeeded in improving the wholly Canadian books a great deal ... the audience is better served.

It seems to me Royal Commission activity would apply more to consumer and management books than trade or industrial ones.

While I agree that a strong Canadian magazine industry is desirable, advertising agencies must consider their clients' best interests first and recommend the best buy depending on the audience to be reached, regardless of whether it is U.S. or Canadian controlled.

I read a number of U.S. publications mostly business. I feel that this is required reading. There are no Canadian publications equal. I have a preference for some U.S. hobby type or recreational type magazines - there are no Canadian counterparts. We have tariff protection in our business but we have to produce equivalent quality to compete, and find U.S. manufacturers very stiff competition. Nevertheless, we have never said this competition

Comments to Question #6 (contd)

should be frozen out.

There is nothing that our government can do in the way of legislation that will help Canadian publishers compete with foreign books. Tariff and taxes will only serve to divert advertising money to the federal treasury. Little or no increase in advertising revenue would be passed on to Canadian publishers. Canadians want and need both Canadian and foreign books. There is a place in each and advertisers will use those to reach the audiences they desire. As long as Canadian publishers turn out informative Canadian books dealing with Canadian affairs, they will have readers and advertisers.

A P P E N D I X " E "

QUESTIONNAIRE

D A T A

Sheets.

AIA / ASSOCIATION OF INDUSTRIAL ADVERTISERS

Toronto Chapter - Toronto - Canada

FOR IMMEDIATE ATTENTION

OF ACTIVE (AGENCY & ADVERTISER) MEMBERS

The AIA committee on the Royal Commission on Publications is anxious to have your opinions and comments on the attached questionnaire.

Agency members are asked to complete this questionnaire even though their agency may have previously completed the ACA-CAAA form.

Would you please complete it and return it promptly to Keith Warne, Honeywell Controls Limited, Toronto 17, Ontario.

It would be appreciated if you could have this in the mail not later than November 30.

Many thanks.

(Signed)

K.K. Warne

Director - Media Practices Committee

21 Nov. 60

:RS

Advertising to business and industry

AIA / ASSOCIATION OF INDUSTRIAL ADVERTISERS

Toronto Chapter - Toronto - Canada

IMPORTANT

TO ALL ACTIVE AIA MEMBERS

As the AIA committee on the Royal Commission on Publications is desirous of having your answer to the questionnaire recently forwarded, it has extended the deadline date for return of the questionnaire to Friday, December 2.

For your convenience, another copy is enclosed.

Agency members are asked to complete this questionnaire even though their agency may have previously completed the ACA-CAAA form.

Please forward your reply to Keith K. Warne, Honeywell Controls Limited, Vanderhoof Avenue, Toronto 17, Ontario.

Many thanks.

(Signed)

K.K. Warne

Director - Media Practices Committee

25 Nov. 60

:RS

Advertising to business and industry

BACKGROUND DATA

ROYAL COMMISSION ON PUBLICATIONS

Following the recent appointment of the Royal Commission on Publications, as recommended by the Committee of the Privy Council, letters of invitation from the Commission have been received by the President, to submit any views the Association of Industrial Advertisers, Toronto Chapter, may have concerning the position of and prospects for the Canadian Periodical Publishing industry both from a cultural and economic point of view.

The Royal Commission's terms of reference are:

"(a) to inquire into and report upon the recent and present position of and prospects for Canadian magazines and other periodicals with special but not exclusive consideration being given to problems arising from competition with similar publicatioins which are largely or entirely edited outside of Canada or are largely or entirely foreign in content; and

(b) to make recommendations to the Government as to possible measures which, while consistent with the maintenance of the freedom of the press, would contribute to the further development of a Canadian identity through a genuinely Canadian periodical press."

Immediate action has been taken concerning the Commission's invitations. Commission's letters were discussed at the last meeting of the AIA board of directors, Toronto Chapter, and the matter was referred to the Media Practices Committee for consideration and recommendations.

Media Practices Committee is to make a presentation when the Royal Commission sits in Toronto on December 12th, 13th, and 14th. This submission will enunciate your views. Please complete and return the attached questionnaire not later than Wednesday, November 30. Your reply will be held in strictest confidence by the committee.

K.K. Warne

Director - Media Practices Committee

SOME BACKGROUND FACTS

1. There is an apparent trend toward Canadian editions of U.S. publications. This is now extending to the industrial field. Some of the publications are Time, Reader's Digest, Fuel Oil News of Canada.

2. It is contended that such "Canadian" editions are unfair competition and do not serve the best interest of Canadian advertisers, or the Canadian economy.

It is suggested that in the case of U.S. publishers putting out a "Canadian" edition, the salaries of staff and the editorial content has already been paid for out of the income obtained in the United States, thus putting the Canadian publishers at a distinct disadvantage.

Also, in that the Canadian press tries to keep a strictly Canadian flavour, serving Canadian needs and applications, every effort must be made to keep it this way; i.e., with Canadian slanted news and articles that provide vital reading to Canadians. It is contended that the split-run technique of U.S. publications results in an editorial content which is largely Amiercan and not slanted to the needs of Canadian publications.

Publishers feel that only the Canadian business press can play an important role in Canadian business life in publishing reliable information and ideas in new developments, technological

advances, new production methods, progressive merchandising and selling techniques, and current statistics on economic conditions ... dealing with Canada.

3. It is further contended that major competition is coming from an increasing volume of overflow circulation of U.S. publications in Canada and that it is the policy of most U.S. publishers to further increase this Canadian circulation.

Canadian business paper publishers pay a premium rate of five cents a pound for their controlled circulation papers, while the overflow and U.S. publications are mailed in the United States and carried free by the Canadian post office. It is felt that this is unfair particularly in that the Canadian post office reports an annual deficit in carrying all types of second-class mail both foreign and domestic.

It is suggested that the advertising content of overflow of circulation works against the Canadian manufacturers trying to compete against the American subsidiary, since the U.S. parent companies spend considerably more in trade journal advertising than their counterparts in Canada in most cases.

THE CHAIRMAN: Thank you.

Have you any questions, Mr. Johnston?

COMMISSIONER JOHNSTON: I would like to congratulate you, Mr. Warne, on your brief. It seems to be clear; and you have done us the honour of giving us a copy of your questionnaire and you

have given us the comments on the replies, so I think progress is being made.

In section three there is contained - the second page of that - "...our members do not agree that overflow circulation from foreign publications represents unfair competition..."

Do they agree that there should be any penalty on Canadian circulation of such publications? I wonder if you would go along with me to this extent, that it is unfair but we don't seem to be able to come up with any suggestion of what we can do about it.

MR. WARNE: I suggested, Mr. Johnston, that our members were not expert in publishing matters and that there were some shortcomings in the questionnaire that was sent around. I think that you have pointed out one of the shortcomings. I don't know that our members are sufficiently knowledgable on this fact to give a general opinion; but their opinion - what they have suggested - is to the extent of their knowledge, and they don't think this is unfair competition. On the other hand, we have members who, in their comments, have said that they would certainly pay more for these United States or other publications they would like to receive; and I think this would indicate that they would be - if I could make a personal comment on this - that they would have no objection to paying slightly more for such publications.

COMMISSIONER JOHNSTON: You think that would be politically feasible?

MR. WARNE: I am afraid that is a question I could not comment on.

COMMISSIONER JOHNSTON: That is outside your province - and, perhaps, ours; but at least we have to remember that two or three solutions to this problem have been tried and found wanting, so that there is hardly any use coming up with the same old story.

Now, in your Section 4, the fourth paragraph, I would just like a little clarification here "It is not reasonable to assume that national interests have, can or will be such a major consideration that they will over-balance the cost advantages that foreign publishers have and can enjoy with 'Canadian' editions and 'split-runs'..." Are you saying there that if you have a certain amount of money and you come to the conclusion that, regardless of the nationality of the book, you would spend it somewhere else if you are not inhibited by statute?

MR. WARNE: That is correct.

COMMISSIONER JOHNSTON: Are not a number of Canadian subsidiaries of United States publications governed in their advertising by the head office from New York, or wherever it may be?

MR. WARNE: I don't know that I can give a broad, generalised answer to that. I could give a personal answer. I am not quite sure what you

mean by "governed." I know that in the case of the company I work with, which is an American subsidiary, the budget is finally approved in the United States, but that is a sum of money and that is far as it goes. In my case, to me - and I have reason to say this - they are not so liberal in many other companies.

COMMISSIONER JOHNSTON: Are you in advertising?

MR. WARNE: Yes.

COMMISSIONER JOHNSTON: An agency?

MR. WARNE: I am with a company. I was with an agency at one time and I am with a company now.

COMMISSIONER JOHNSTON: And your company does, within the funds available, or allotted to it, allow you to do what you wish?

MR. WARNE: That is correct.

COMMISSIONER JOHNSTON: I suppose your programme has to be submitted?

MR. WARNE: In the five years I have been with this company it is only in this past year -- and it is only because of choice on our part -- we have submitted details before we submitted cost figures only and there were no names of publications required. This year we did it of our own choice.

COMMISSIONER JOHNSTON: What sort of publication do you go in?

MR. WARNE: We have used consumer magazines, and continue to do so, and trade papers.

COMMISSIONER JOHNSTON: Your advertising copy is different from the copy that the parent company uses?

MR. WARNE: Yes and no. If the market conditions are parallel the copy would be the same. We would pick that ad up in the States, but the choice is ours.

COMMISSIONER JOHNSTON: But would the consumer copy be the same?

MR. WARNE: It has been, and it has been very drastically different.

COMMISSIONER JOHNSTON: This company that you work for, have they a Canadian advertising agency?

MR. WARNE: Yes, sir.

COMMISSIONER JOHNSTON: Is it a subsidiary of a United States advertising agency?

MR. WARNE: No, it is entirely Canadian to my knowledge.

This morning, sir, if I may remind you, Mr. Craig suggested in one part of their submission that I could answer this question, and I believe it was on page 5 of the B.N.A.'s submission, paragraph No. 15:

> "It will be noted that three advertisers are International Business Machines, Honeywell and Monsanto Canada Limited. In each case, B.N.A. sales representatives were given to believe that the only reason that elaborate advertisements of this type were possible was because of similar ads originating in the United States with the companies using the U.S. edition of Time with resultant reduction in cost."

I believe the question was whether the Canadian agency earned their commission on that. In our case they did; but we do this because they give us value in other areas.

COMMISSIONER JOHNSTON: Would you mind -- I don't insist on it -- telling us what company it is?

MR. WARNE: It is Honeywell Control.

COMMISSIONER JOHNSTON: And the Canadian agency got the commission?

MR. WARNE: Yes.

COMMISSIONER JOHNSTON: And you don't know whether that also would apply to International Business Machines?

MR. WARNE: I have no way of knowing.

COMMISSIONER JOHNSTON: I think actually a Canadian agency does get something from I.B.M

Those are all the questions I have, Mr. Chairman.

COMMISSIONER BEAUBIEN: I just have one question. You represent the association of Industrial Advertisers. How does that differ from the Canadian Association of Advertisers? What are the objectives?

MR. WARNE: Well, the basic purposes are to serve people interested in advertising and marketing in the business fields as opposed to the consumer field. I think their basic interest, as shown in their past work, is in the consumer field; ours is in the industrial field. There is some overlapping, but not very much.

THE CHAIRMAN: Thank you very much, sir, for your submission.

We will recess for five minutes.

---Recess.

SUBMISSION OF
GORDON & GOTCH (CANADA) LIMITED

EXHIBIT NO.: O-114

APPEARANCES:

William F. Smith

B. A. VanAlstyne

MR. SMITH: My name is William F. Smith. I am General Manager and a Director of Gordon & Gotch (Canada) Limited, an Ontario corporation, located at 244 Bay Street, Toronto, Canada. With me is Mr. B.A. VanAlstyne, Circulation Manager of the Company.

THE CHAIRMAN: You may proceed.

MR. SMITH: Thank you.

The purpose of this brief is to set down, in some detail, both, the principles involved, and the methods used, in the distribution of magazines in Canada. We have been following the transcripts of the hearings closely and feel that a clearer picture, of the established techniques of magazine distribution in Canada, may be of value to this Commission.

Gordon & Gotch (Canada) Ltd., was established in 1911 and for almost 50 years has been actively engaged in the importation and distribution, of British magazines and newspapers in Canada. We utilize two methods of distribution, one as a National Magazine Distributor and two, a Subscription Catalogue Agency.

We respectfully submit this brief, in our capacity, as a National Magazine Distributor. It is our contention, that as a National Distributor of magazines, we have a vital function to perform for the publishers we represent.

The objects of a National Distributor are to sell the greatest number of copies of magazines, with the least waste and the greatest profit for publisher, wholesaler and retailer.

Principles:

(A) The publisher takes the full risk of returns.

(B) Therefore, the publisher, through his distributor, must have the right to allocate the copies of his magazine.

(C) His aim is to get the right number of copies of his magazine to the right place at the right time.

(D) Only he can do this, because only he, in co-operation with his distributor, can get an overall view of his market and evaluate the factors affecting fluctuation in sales.

We therefore, recommend that a publisher approach a National Magazine Distributor. To the best of my knowledge, there are four

such distributors in Canada, who over the years have taken on Canadian publications for national distribution - they are -

(1) Gordon & Gotch (Canada) Ltd.

(2) Colonial Distributors Limited.

(3) Curtis Distributing Company Ltd.

(4) Capitol Distributing Company.

In addition to these four Canadian National Distributors, there are 12 leading American publishers and/or distributors working from their respective headquarters in the U.S.A. - they are -

(1) M.L.A. Publications

(2) Publishers Distributing Corporation

(3) Fawcett Publications Inc.

(4) Hillman Periodicals

(5) International Circulation Distributors

(6) Kable News Company

(7) Dell Distributing Inc.

(8) MacFadden Publications Inc.

(9) Independent News Co.

(10) Popular Publications

(11) Select Magazines, Inc.

(12) Ace News Company

System of National Distribution:

The Publisher: Establishes his print order using all available data, e.g. latest sales

information, seasonal sales variation, trends of sale, editorial content, special promotion.

The National Distributor: Makes an allocation of a publishers' print order based on the population serviced by his wholesale distributors, and the number of dealers he services. As a further guide, he avails himself of the past and present sales experience of his own, and/or a similar title, on a national, as well as a local basis.

The National Distributor's Representative: Gives valuable assistance to wholesalers and retail dealers.
He offers information about more efficient and productive methods and systems involving the handling of distribution, display, recovery, returns and billing, in use in his territory or elsewhere. In making his surveys and analyses he becomes acquainted with many improvements. He has the responsibility of providing valuable assistance by making a personal interchange of this information.

The Wholesaler: Mr. E. Colbourne, President of the Periodical Distributors Association of Canada, pointed out in his brief submitted to this Commission on Friday, December 16 th, that there are 54 Canadian wholesalers, servicing 17,783 retailers of magazines.

The mechanics of distributing a wide variety of titles, in varying quantities, to 17,783 retail accounts, is not a simple task for the 54 wholesale magazine distributors across Canada. The following functions performed by these wholesalers are the generally accepted steps taken to ensure that maximum sales potential is developed.

(A) Determining accurately, how many copies should be sent to each retail outlet.

(B) Sending exactly that many copies to each outlet in clean, salable condition - on the established sales dates.

(C) Securing and maintaining displays that will provide maximum sales.

(D) Shifting copies at selected intervals from dealers whose sales are slow, to those who have sold more copies than was originally expected.

(E) Following through with point of sale activity on advertising, promotion, or other programs originating from the publisher and/or his national distributor.

(F) Keeping accurate and detailed records of distribution, check-ups, re-distribution, and final sales.

9 The Retailer: The ultimate success of the system depends upon his co-operation at the important "point of sale". He is asked to do a number of definite, but simple things.

(A) Accept the number of copies of each magazine allocated to him by his wholesaler.

(B) Give all magazines the display due them and display them for the full sales period.

(C) Allow the wholesaler's driver to make a physical check of the stock at regular intervals.

(D) Allow the driver to withdraw surplus copies and accept additional copies as required.

(E) Return unsold copies as soon as they are off sale.

I believe, this system of controlled magazine distribution can be classed as the most highly developed and scientific method of selling a consumer's product in the world today. Through unparalleled facilities, a publisher is able to have his magazines offered for sale simultaneously on the newsstands of approximately 17,783 outlets, where magazines can be purchased by the public.

I pointed out in paragraphs 6 and 7,

10 that there are 16 leading national distributors focusing their attentions on the Canadian market. Their individual and combined efforts to achieve the objectives of selling the greatest number of copies, with the least waste, and the greatest profit, for the publisher and retailer, creates a highly competitive situation.

There are some 800 magazine titles available for newsstand sale in Canada. A clear indication that competition for display space, at the retail level, is indeed keen.

The situation is somewhat alleviated by the fact that not all stores can sell all types of magazines. The selection of titles at a supermarket, drug store, confectionery, variety or tobacco store, would vary considerably in relation to their ability to sell certain types of magazines, but not others. We have found this to be true with our British titles.

Wartime restriction of paper and other factors, made it impossible for us to develop the newsstand circulation of our magazines until 1954. At that time, we began to pursue the newsstand circulation of British magazines, using these controlled circulation methods.

As is the case in Britain, we are obtaining our greatest circulation success from such consumer magazines as Woman's Weekly, Woman,

11 Woman's Own, Woman & Home and Woman's Journal -- to name but a few.

Our success did not come easily, as our titles were untried on the Canadian market. We had to ardently pursue display space on crowded newsstands. However, as sales developed, and our publications became better known, and profitable, to everyone concerned, the task became progressively easier.

We contend with the added disadvantages of merchandising magazines, that are not as colourful, vary in size, often bear only a sterling cover price, and dated weeks old, with a quality of paper not up to competition.

Editorial excellence is the guidepost to success for any magazine, irrespective of its country of origin. We believe, and the results would indicate, that quite a few of our magazines have this editorial excellence.

Our success with British magazines, has made it possible to extend our services as a national distributor to Canadian publishers. In the past year, we have taken on four fine Canadian magazines for distribution and sale on Canadian newsstands -- they are --

(1) Quick Canadian Facts

(2) Ontario Sportsman's Guide

(3) Canada Track & Traffic

12 Gentlemen, I have specimen copies of these publications with us if you are interested in seeing them.

---EXHIBIT NO. O-115: Bundle of magazines.

We are experiencing no real problems in obtaining sound national newsstand representation and sale, for these attractive Canadian magazines. We are anxious and willing to assist any Canadian publishers who have a potentially good magazine and want to merchandise it on Canadian newsstands.

We suggest that it is not economically possible for a Canadian publisher, most of whom are small, to handle his own national distribution. The heavy expense involved in developing a circulation department and travelling representatives, would be prohibitive.

Gordon & Gotch (Canada) Ltd., an Ontario corporation provides year-round employment to an all-Canadian staff in our Toronto office. We provide Canadian wholesalers and dealers with generous profits from volume selling magazines.

British publications offer Canadian readers the opportunity to consider the British viewpoint, their methods, and way of life. We believe this exchange of ideas is desirable.

British publications can help to stimulate trade with Britain, an avowed Canadian Government policy.

13 We submit, that this great distribution system, as presently constituted, could not have developed, or continue to exist, on Canadian magazines alone.

In conclusion, it is obvious that keen competition faces a Canadian publisher at all levels of single copy sales. It is the task of our National Distributors, wholesalers and dealers, to see that Canadian publications are given a fair trial on our market. If Canadian publishers produce a good product, and it is given a test under fair competitive conditions -- then the final verdict must rest with the Canadian consumer, who stands before a newsstand to select a magazine of his choice.

Thank you, sir.

COMMISSIONER JOHNSTON: I have just one or two questions. Could you have been able to take on the business of distributing Maclean's magazine?

MR. SMITH: Yes, sir.

COMMISSIONER JOHNSTON: Did you get an opportunity to bid on it?

MR. SMITH: No, sir. I could qualify that. The physical end of it, the packaging end of it, no; but on the circulation, distributing end of it, yes.

14 COMMISSIONER JOHNSTON: Did Maclean do that before making a deal with Curtis?

MR. SMITH: I understand they had their own Trans-Canada News Service. I assume they shipped direct from their printing plant.

COMMISSIONER JOHNSTON: Do you find any indication that other distributors are pushing your things to the back of the rack and that sort of thing?

MR. SMITH: No, I wouldn't say so. As I pointed out, the competition is keen. I think a publication based on merit will wind up in a good spot on any magazine stand.

COMMISSIONER JOHNSTON: Your retailer wants to display the magazine which sells best.

MR. SMITH: Usually that is the case. We also find if it is a publication which "has it", so to speak, and if it is in a secondary display situation, it somehow vanishes from the newsstand.

COMMISSIONER JOHNSTON: Is there any indication to you that there is a monopolistic situation developing, has developed in the wholesale distributing of magazines in Canada?

MR. SMITH: I don't think so, sir. The competition is extremely keen, but I don't think it is monopolistic.

COMMISSIONER JOHNSTON: The Curtis

15 Company mentioned in your list is a Curtis Publishing Company subsidiary.

MR. SMITH: Yes.

COMMISSIONER JOHNSTON: Quick Canadian Facts is an annual?

MR. SMITH: Yes.

COMMISSIONER JOHNSTON: Is there a particular difficulty in distributing there?

MR. SMITH: No, I don't think so.

COMMISSIONER JOHNSTON: Canada Track and Traffic, that is an up and coming magazine.

MR. SMITH: We hope so.

COMMISSIONER JOHNSTON: It was started by a couple of young men who are working hard at it.

MR. SMITH: Yes.

COMMISSIONER JOHNSTON: The Canadian Pro Football Review.

MR. SMITH: That is an annual, sir.

COMMISSIONER JOHNSTON: I saw it in Mr. O'Leary's room in the Hotel Vancouver.

That is all I have to say.

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THE CHAIRMAN: Tell me this, sir; you list here a number of what you say are definite but simple things that a retailer is supposed to do?

MR. SMITH: Yes.

THE CHAIRMAN: (A), (B), (C), (D) and (E). What happens to that retailer if he refuses to do those things?

MR. SMITH: That is his right, sir.

THE CHAIRMAN: Pardon?

MR. SMITH: It is his right and privilege to refuse to do that.

THE CHAIRMAN: And if he does, what happens to him; does he get his magazines?

MR. SMITH: Yes, I think so.

THE CHAIRMAN: He would still get them?

MR. SMITH: Yes.

THE CHAIRMAN: There would be no sanctions used against him at all?

MR. SMITH: Not to my knowledge.

THE CHAIRMAN: Why does he take your advice, because he thinks it is good for him? What is good for the distributor is good for the retailer?

MR. SMITH: Yes. We recommend this as part of the existing distribution system as more or less the ideal circumstances that can be in existence.

THE CHAIRMAN: Do you know of a case where there is such a thing as a package deal where the retailer is told that he must take so many copies of a magazine in order to get the others?

MR. SMITH: No, I don't.

THE CHAIRMAN: You list five British magazines that you distribute in Canada. What others do you distribute? Do you have the names of some of them?

MR. SMITH: We have access to every British publication published for distribution.

THE CHAIRMAN: Every British publication?

MR. SMITH: I don't know the exceptions, if there are any. We have the most success on the newsstands with the particular publications I mentioned, and in the course of five years we brought the publication "Woman" from 700 copies a week to roughly 6,000.

THE CHAIRMAN: Is that a magazine such as Chatelaine?

MR. SMITH: Yes. I have specimens here.

THE CHAIRMAN: Did I see the Spectator there and the New Statesman?

MR. SMITH: Yes.

THE CHAIRMAN: You sell those?

MR. SMITH: Yes.

THE CHAIRMAN: The Economist?

3 MR. SMITH: Yes.

THE CHAIRMAN: Would you sell any of the British reviews, monthies like the Contemporary Review; Blackwoods?

MR. SMITH: They are available to us.

THE CHAIRMAN: Do you sell the News of the World?

MR. SMITH: Yes.

COMMISSIONER JOHNSTON: Have you a sample here?

THE CHAIRMAN: This is just for my own curiosity, but what circulation would the News of the World have in Canada?

MR. SMITH: Approximately 6,000 a week, plus.

THE CHAIRMAN: 6,000 a week, plus?

MR. SMITH: Yes.

THE CHAIRMAN: I thought it would be more.

MR. SMITH: That circulation has held at that level for approximately four to five years.

THE CHAIRMAN: Well now, sir, what is your basic interest in coming before this Commission?

MR. SMITH: Well, in reviewing the transcripts we felt there was perhaps some distorted ideas of the methods used to get whatever type of publication it may be on the Canadian newsstands, and all we want to do, if we can, is

to clarify it.

THE CHAIRMAN: Are you speaking for yourself as a distributor, or are you speaking for all the other distributors?

MR. SMITH: I think I am speaking for all of them.

THE CHAIRMAN: You think you are speaking for them all, and that what you have given here is a fairly true representation of their comment?

MR. SMITH: Yes.

THE CHAIRMAN: Thank you very much.

COMMISSIONER BEAUBIEN: Mr. Smith, you list four distributors operating in Canada; Gordon and Gotch, Colonial Distributors Limited, Curtis Distributing Company Limited and Capitol Distributing Company; can you give us an idea of the relative importance of those four?

MR. SMITH: Well, I would say that Curtis is No. 1, yes, and I would be guessing perhaps at the other three. I am modest in saying that we might be next. Are you speaking in terms of dollar value, sir?

COMMISSIONER BEAUBIEN: I don't know how you would gauge it; by the number of publications handled, I guess that would be one way of doing it, the total circulation.

MR. SMITH: Well then, certainly Curtis would be No. 2, and I think that we might come in

5 the second slot.

COMMISSIONER BEAUBIEN: You sell to retailers?

MR. SMITH: No sir, we sell to wholesale distributors of magazine stores, like the National News Company here in Ottawa.

COMMISSIONER BEAUBIEN: And they in turn sell to distributors?

MR. SMITH: No, they sell to retailers.

MR. BEAUBIEN: Yes, excuse me. How many steps are there? There is the publisher and then comes --

MR. SMITH: The publisher, the national distributor, the wholesale distributor and the retailer; four steps. In some cases the publisher acts as his own national distributor.

COMMISSIONER BEAUBIEN: You have the publisher, a national distributor and then the wholesaler?

MR. SMITH: Yes. He is at the local place.

COMMISSIONER BEAUBIEN: And then the retailer?

MR. SMITH Yes sir.

COMMISSIONER BEAUBIEN: And you are a national distributor?

MR. SMITH Yes, we are.

COMMISSIONER BEAUBIEN: And you have to go through the wholesaler?

MR. SMITH: Yes.

COMMISSIONER BEAUBIEN: And then the wholesaler goes to the retailer?

MR. SMITH. Yes sir.

COMMISSIONER BEAUBIEN: And now, certainly Mr. Mathieu, who read his brief before you this afternoon, hinted -- I think you got that idea too, sir -- that there was some pressure -- a good deal of control put on the retailer regarding the distribution of publications, and he wasn't anywhere near as free --

MR. SMITH: The whole system as it stands is a controlled system of distribution. I myself don't say there is any pressure other than the routine competitive situation which is experienced in any business.

THE CHAIRMAN: Don't inspectors go around seeing that the retailer is complying with the regulations?

MR. SMITH: They are called publishers' representatives usually, sir, and they are making inspections of the displays, and as well as publishers' representatives, there are wholesalers' drivers and promotion men as well in the routine of distributing and collecting and making check-ups, etc. They try to keep the

rack neat.

THE CHAIRMAN: This, you say, is to the advantage of the retailer?

MR. SMITH: Yes.

THE CHAIRMAN: He has the experience and the know-how to guide him in his sales, is that the claim?

MR. SMITH: Magazines, as you are aware, are sold in this country on a self serve type of system for the public to choose. Without this attention from the wholesalers' personnel many of the racks become untidy; that is one of the services, and the others are interwoven; if he is sold out of any particular publication the wholesaler will supply him with additional copies, and if he has too many, they are picked up and given to somebody who is sold out.

COMMISSIONER JOHNSTON: But there is no coercion?

MR. SMITH: No sir.

THE CHAIRMAN: Is the circulation of British periodicals on the increase in Canada?

MR. SMITH: Yes.

THE CHAIRMAN: Substantially?

MR. SMITH: I think so, yes; I will say so, the popular type of publication. I think it holds true with the magazines that are selling in the newsstands in great quantities whether it is

in England or in the United States, taking the popular type. It is logical, and I know that Woman and Woman and Home over in England have weekly circulations on the newsstands anywhere from two million to three million per issue.

THE CHAIRMAN: Isn't there a good magazine called "Queen"?

MR. SMITH: Yes, it is a very good one.

THE CHAIRMAN: Does it sell over here?

MR. SMITH: Yes it does, but it doesn't have the mass newsstand appeal, but it does sell.

COMMISSIONER JOHNSTON: What about The Illustrated London News; would it have much circulation over here?

MR. SMITH: No, that is one of the publishers that will not give us full return privileges, and as a result the experiment on the newsstands is restricted to more or less a call type of circulation where a customer will ask his dealer to secure him a copy or two of The Illustrated London News, and we will arrange to deliver to them, sir.

COMMISSIONER JOHNSTON: Theirs is a mail subscription.

MR. SMITH: Yes. Going back through the years on many of these publications they had what they called pigeon hole set-ups in the various

9 dealers, and you may still see them where they put a copy away for the customer.

COMMISSIONER BEAUBIEN: Why is it necessary that there should be an organization of national distributors? Wouldn't the wholesaler be able to do the trick?

MR. SMITH: Not nationally, sir; he exists, as in this city, the National News Company exists to distribute to the many dealers in this area. He wouldn't be able to do the job in Toronto very well unless he had a very large office. You see, they are independent businessmen.

COMMISSIONER BEAUBIEN: Is there not inter-dependence? Is there a possibility of a publisher being a national distributor, or a wholesaler, or both, or even a retailer?

MR. SMITH: Going back about six years ago and before the demise of the American News Company, this situation did exist where there was a national distribution organization working out of New York, and they had branch wholesale distributing agencies in practically every major city in North America, but they are no longer in existence.

COMMISSIONER BEAUBIEN: Do you operate in Quebec?

MR. SMITH: Yes.

10 COMMISSIONER BEAUBIEN: Do you have newsstands in Quebec that display French literature?

MR. SMITH: Do we have --

COMMISSIONER BEAUBIEN: Do you handle any French literature in Quebec?

MR. SMITH: No.

COMMISSIONER BEAUBIEN: The Curtis Distributing Company is both a publisher and a distributor?

MR. SMITH: Yes, they are.

COMMISSIONER BEAUBIEN: So they would have, possibly, an advantage over another publisher in as much as they are distributing their own publications?

MR. SMITH: Yes.

COMMISSIONER BEAUBIEN: Would you have knowledge in Quebec of a company which would be both a publisher or directly connected with a publishing firm, and also distributing magazines to such an extent now that apparently they control the distribution of all French literature in Quebec?

MR. SMITH: Yes, he is our wholesale distributor in Montreal.

COMMISSIONER BEAUBIEN: Who is that?

MR. SMITH: The Benjamin News Company.

COMMISSIONER BEAUBIEN: Have they any close connections with any publishers?

MR. SMITH: Any close connections?

COMMISSIONER BEAUBIEN: Yes, with publishers?

MR. SMITH: They act as a wholesale distributor.

COMMISSIONER BEAUBIEN: They have no financial connections with publishers in France?

MR. SMITH: I have no knowledge of that.

COMMISSIONER JOHNSTON: These wholesale distributors, do they work for other people besides you, or are they exclusively yours?

MR. SMITH: No, they represent other publishers and national distributors.

COMMISSIONER JOHNSTON: Thank you.

THE CHAIRMAN: Thank you very much.

Gentlemen, we will adjourn now until 10.30 tomorrow morning.

---Adjournment.
